

COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES

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ANNUAL REPORT OF THE SOCIAL  
SECURITY ADMINISTRATION FOR  
FISCAL YEAR 1977

SUBMITTED TO THE CONGRESS BY THE  
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

ON

July 5, 1978



JULY 14, 1978

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WASHINGTON : 1978

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SECRETARY OF HEALTH, EDUCATION, AND WELFARE,  
*Washington, D.C., July 5, 1978.*

HON. THOMAS P. O'NEILL, JR.,  
*Speaker of the House of Representatives,*  
*Washington, D.C.*

DEAR MR. SPEAKER: Enclosed is the Annual Report of the Social Security Administration as required by 42 U.S.C. 904; 42 U.S.C. 1395 11(b); 30 U.S.C. 936(b); and 42 U.S.C. 1382(e)(3)(B).

The report presents highlights of the social security programs in fiscal 1977, with emphasis on the progress SSA is making to improve the disability insurance program, improve the quality of the SSI claims and payment process, reduce error rates and improve administration of the State AFDC programs, and reduce delays in processing hearings. The report discusses service to the public, the Social Security Amendments of 1977, social security financing, the HEW reorganization, preparations for processing annual wage reports from employers, and the master plan for developing the future SSA process.

The cost to the Federal Government for preparing and printing the 1977 Annual Report of the Social Security Administration was about \$15,000.

Sincerely,

JOSEPH A. CALIFANO, JR.



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# ANNUAL REPORT OF THE SOCIAL SECURITY ADMINISTRATION FOR FY 1977

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NOTE: All statistics in this report comparing 1977 with 1976 refer to the fiscal years unless otherwise indicated. Fiscal year 1976 went from July 1975 through June 1976, and FY 1977 went from October 1976 through September 1977. The transitional quarter, July through September 1976, is generally excluded from yearly comparisons, but is covered in the narrative of the report.



## OVERVIEW

### Programs

The Social Security Administration administers the Federal social security program that provides retirement, survivors, and disability insurance. This program today is the basic method in the United States of assuring income to individuals and families when workers retire, become disabled, or die. More than nine out of ten people in paid employment and self-employment are covered or eligible for coverage under the social security program.

SSA also administers the supplemental security income (SSI) program for the needy aged, blind, and disabled. This Federal program provides uniform benefit levels and eligibility requirements nationwide; however, this basic program is varied by a system of State supplementation which results in administrative complexities.

In addition, SSA administers the Aid to Families with Dependent Children (AFDC) program. AFDC provides for Federal grants to help defray State costs of providing financial assistance to needy children who are under age 18 (or under age 21 and attending school); living in the home of a parent or specified relative; or deprived of parental support or care because of death, continued absence from the home, or physical or mental incapacity of a parent, or, if a State elects, the unemployment of a father.

About 100 million people worked in jobs covered by social security in calendar year 1976. As of January 1, 1977, an estimated 125 million persons with earnings credits at some time since the beginning of the program were protected by retirement and survivors benefits. In addition, about 95 out of 100 children under 18 and their mothers had survivors protection. About 86 million workers were protected for disability benefits (about 4 out of 5 people aged 21 to 64 have protection in the event of the breadwinner's long-term disability). In September

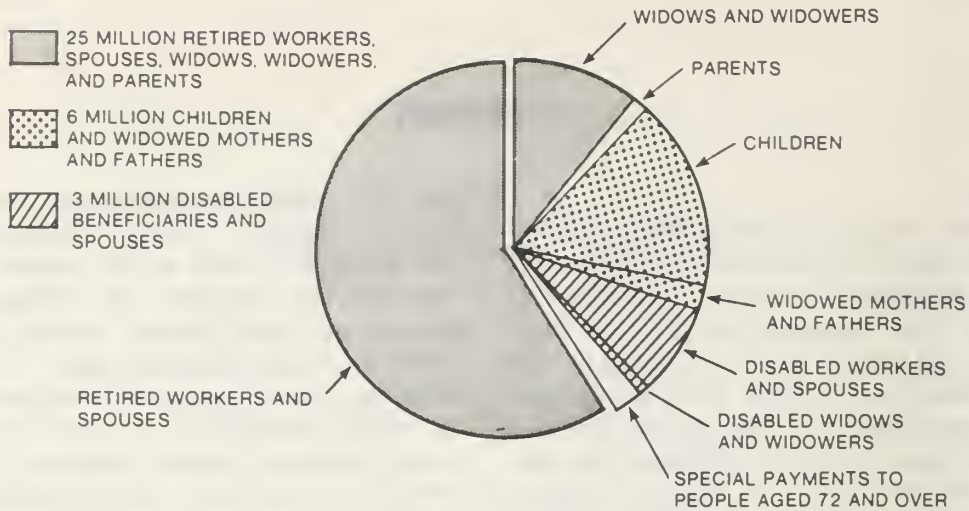
1977, almost 34 million men, women, and children—nearly 1 out of 6 Americans—received monthly cash social security benefits. Beneficiaries included 25 million retired workers and their spouses, widows, widowers, parents, and beneficiaries aged 72 and over receiving special payments; 6 million children of retired, deceased, or disabled workers and young widowed mothers or fathers with children in their care; and 3 million disabled beneficiaries (including about 100,000 disabled widows and widowers) and their spouses.

Retirement, survivors, and disability insurance benefits in fiscal 1977 totalled \$82.1 billion—a 15.5 percent increase over 1976. Benefits paid to retirement and survivors insurance beneficiaries rose by 14.7 percent to \$71.3 billion, and benefit payments paid to disabled workers and their families were \$11.1 billion, or 20.7 percent more than in 1976. Benefits were increased by 5.9 percent in June 1977.

For September 1977 the average monthly social security cash benefit was \$241 for a retired worker and \$402 for a retired worker and aged spouse. A disabled worker received an average of \$264 a month, while a disabled worker and family averaged \$520. The average monthly benefit for an aged widow was \$224 and the average benefit for a widowed mother with two children was \$553.

Nearly 26 million people, or almost everyone aged 65 and over, as well as certain disabled individuals under 65 and persons with end-stage renal disease, were eligible for hospital insurance under Medicare in fiscal 1977. (Medicare was transferred to the new Health Care Financing Administration in March 1977 see p.3). Almost 97 percent of these people were also enrolled under the voluntary medical insurance plan. Hospital insurance benefits under Medicare totalled \$14.9 billion in FY1977, up 21 percent over FY1976. Supplementary medical insurance benefits in 1977 in-

## Almost 34 Million People Get Social Security Benefits Each Month (Nearly 1 Out of 6 Americans)



creased by 25.5 percent over 1976 to \$5.9 billion.

SSA paid \$939.5 million in black lung benefits to coal miners and their families during 1977. The Department of Labor has responsibility for all new black lung claims. SSA field offices helped Labor by taking nearly 18,000 new black lung claims during the year which came under the jurisdiction of that agency.

During September 1977, 4.2 million people received supplemental security income (SSI) payments. Of these, under 2.1 million people were aged, and nearly 2.2 million were disabled or blind. Federal SSI payments in September were \$405 million, and State supplementation payment were \$126 million.\* Federal SSI payments totalled \$4.6 billion, and State supplementation totalled \$1.4 billion in FY 1977. About 1.3 million new SSI claims were filed during the year, a drop of 3 percent from 1976.

Expenditures for public assistance in 1977 amounted to \$11.4 billion; \$10.2 billion for AFDC payments (including Emergency Assistance) and \$1.2 billion for the General Assistance Program. The Federal share of these ex-

penditures was \$5.5 billion, up 4.5 percent over 1976, and 18.1 percent above 1975. The caseload for the year averaged nearly 3.6 million families with 11.1 million total recipients (of whom 7.8 million were children).

The number of hearing requests increased from 157,688 in 1976 to 193,657 in 1977, up 23 percent. SSA processed 186,822 hearings during 1977, an increase of 4 percent over 1976. Total hearings pending decreased from 89,769 in June 1976 to 84,916 in September 1976, but then increased to 91,751 in September 1977. Disability insurance (DI) and supplemental security income (SSI) cases continued to dominate the hearings workload, representing 95 percent of total hearings. The time to process hearings decreased sharply, from 242 days in June 1976 to 196 days in September 1977.

### Organization

SSA, an agency of the Department of Health, Education, and Welfare, is organized on a nationwide basis with a total full-time permanent staff of 80,054 as of September 30, 1977. The headquarters is principally located in Baltimore and consists of staff offices, data processing operations, and some disability operations. About 20,900 employees were at headquarters

\* Federally administered supplementation payments only

at year's end. The headquarters disability staff reviews and authorizes benefits on disability claims, operates a quality assurance program for reviewing a sample of State agency determinations, maintains the disability benefit payment system and claims files on over 5 million beneficiaries, recovers amounts incorrectly paid to beneficiaries, recommends the SSA position in disability determinations involved in litigation, and operates a disability inquiries program. SSA also operates three data operations centers (at Wilkes Barre, Pennsylvania; Albuquerque, New Mexico; and Salinas, California) which transform source documents to magnetic tape for use in SSA's electronic data processing complex.

The Department of Health, Education, and Welfare has 10 regional offices, with a principal regional official serving as the on-the-scene representative of the Secretary. Similarly, SSA has 10 regional offices in the same cities, each of which is headed by a regional commissioner who directs all SSA cash benefit operations and coordinates all SSA activities in that region. SSA also operates program service centers in New York (Northeastern), Philadelphia (Mid-Atlantic), Birmingham (Southeastern), Chicago (Great Lakes), Kansas City (Mid-America), and Richmond, California (Western). These program service centers are responsible for reviewing certain types of claims prepared by district and branch office personnel, certifying retirement and survivors insurance benefit payments, maintaining beneficiary records, and providing continuing service to persons on the retirement and survivors insurance beneficiary rolls. The program service centers also review a percentage of claims after they have been processed completely to keep a check on the quality of the claims process. In addition, the Division of International Operations, located in Baltimore, serves about 300,000 beneficiaries residing in 130 foreign countries. Finally, SSA serves people in their local communities through an extensive network of 1,318 full-time field offices and over 3,400 part-time contact stations.

### **HEW Reorganization**

In March 1977, Secretary Califano announced a major reorganization of the Department of

HEW with the objectives of consolidating the Department's health care financing activities in one agency, combining cash assistance activities, and merging human development and social service activities. The reorganization established a new Health Care Financing Administration (HCFA), realigned certain staff support functions of the Office of the Secretary, and abolished the Social and Rehabilitation Service (SRS). SSA was directly affected by the reorganization with the transfer of its Bureau of Health Insurance to the newly created HCFA and the relocation of the Assistance Payments Administration (later designated as the Office of Family Assistance), SRS, to SSA. The Commissioner of Social Security was also designated to serve as the Director of the Office of Child Support Enforcement.

### **Office of Family Assistance**

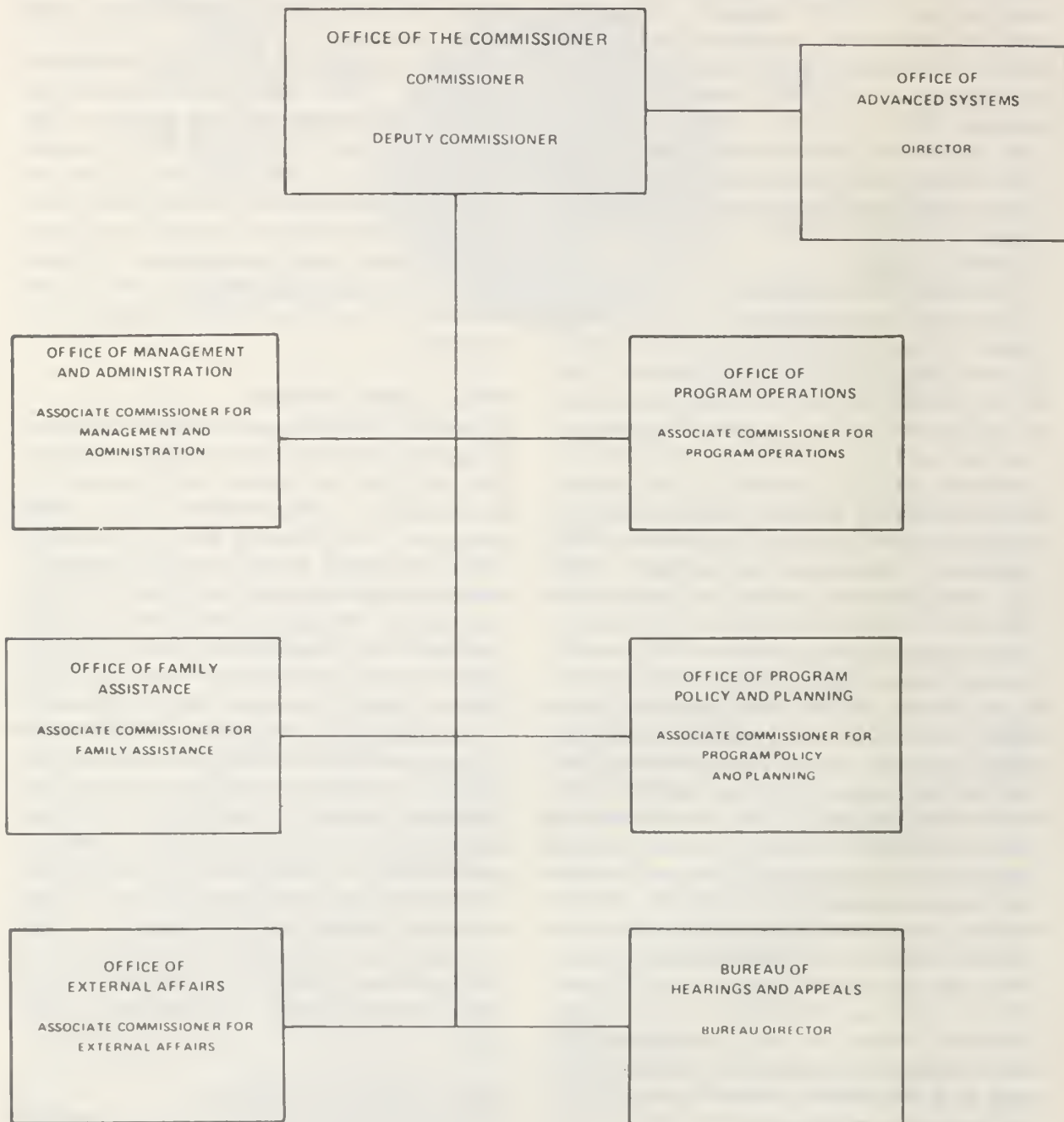
In June 1977 HEW approved SSA's proposal to organize the assistance programs and related functions from the former SRS pursuant to the Secretary's reorganization order. Under the plan, a new Office of Family Assistance (OFA) headed by an associate commissioner, was established centrally, while an Office of the Assistant Regional Commissioner, Family Assistance was established in each SSA regional commissioner's office in the field. The Office of Family Assistance, with responsibility for administering the Aid to Families with Dependent Children (AFDC), the Cuban Refugee, the Indochinese Refugee, and the U.S. Repatriate programs, is made up of a regional liaison staff, an office of policy and procedures, and an office of management and evaluation. The Assistant Regional Commissioner, Family Assistance is under the line authority of the SSA Regional Commissioner, who reports to the Associate Commissioner, Family Assistance for regional OFA program administration.

### **Office of Program Operations**

SSA established the Office of Program Operations (OPO) as part of the January 1975 SSA reorganization. In December 1975, the basic OPO staff organization and the reorganization of the SSA regional offices was approved. In

# DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

## SOCIAL SECURITY ADMINISTRATION



March 1977, HEW approved a reorganization of the subordinate components of the Office of Program Operations—the Bureau of Data Processing, the Bureau of Disability Insurance, the Bureau of Retirement and Survivors Insurance, and the Bureau of Supplemental Security Income. The reorganization revised program bureau functions and components to reflect the operations orientation of the bureaus and realigned administrative management functional responsibilities within OPO. This final phase of the OPO reorganization consolidated and pinpointed responsibility for cash benefit program operations within SSA.

### **Office of Advanced Systems**

The basic goal of SSA's new Office of Advanced Systems (OAS) is the design and development of a process that will serve SSA through the remainder of the century. The process aims to provide maximum efficiency, curtail increasing personnel requirements and administrative costs, and improve service to the public through sound design and optimal use of advanced technology. Development of the future process is divided into four phases: concept development; requirements definition; systems design and development; and testing, validation and implementation.

SSA completed the concept development phase in April 1977. During this phase, OAS inventoried and analyzed the services SSA provides. Eight major service categories were identified for future development of detailed user requirements and performance specifications. These are:

1. assignment and maintenance of social security numbers;
2. maintenance of earnings records;
3. claims;
4. post-entitlement events;
5. payments and settlements;
6. appeals;
7. services for and from other agencies; and
8. general inquiries and information.

The product of the first phase was a report entitled "Recommended Design Concept for the Future SSA Process." This report included

a statement of overall project requirements and objectives; a description of the current SSA process; a description of the future SSA process; impacts of the process on the client, policy, and legislation; transitional analysis; cost benefit analysis; and a plan for Phase II of the project.

SSA contracted with the National Academy of Sciences to assess the OAS project. The Academy established a multidisciplinary panel with systems experts to review the design for the future process. The panel reacted favorably to the planning effort and agreed that the project goals are achievable. The panel stated that the long range plan is thus far excellently conceived and carried out, and that the SSA planning effort was comparable in quality to the best being done by large industries. It indicated that the SSA plan can be implemented with current state-of-the-art computer and communications technology. In its preliminary report, the panel suggested that SSA emphasize user involvement, realism in the plan's time schedule, and an effective plan for transition to the future process. It also indicated that good system management people will be required to augment the current staff.

Phase II of the project—requirements definition—runs from July 1977 through September 1979. During this period, OAS, assisted by contractors, will: (1) develop detailed user requirements and performance specifications; (2) apply technology for specific design areas such as data base and telecommunications; (3) develop a Request for Proposal for the detailed systems design. Later, applying the principles of OMB Circular A-109, OAS plans to award multiple competitive detailed design contracts to several firms. From these, OAS will select the final designer for the future SSA process. OAS plans to implement the future process in phases from April 1982 until mid-1984.

### **Administrative Challenges Facing SSA in 1978**

In 1978 SSA faces many pressing challenges. These challenges include improving operation of the disability insurance program and the SSI program, improving administration of the AFDC program, reducing the number of pending hearings, progressing with the master plan

for developing the future SSA process, and preparing to begin processing annual wage reports from employers beginning January 1, 1979, for wages paid in 1978.

SSA is working to improve operation of the disability insurance program by achieving the following goals by March 1979: reducing mean processing time for initial title II allowed claims to 70 days (it was 75 days in September 1977); and increasing overall accuracy on initial, title II, State disability determinations to 90 percent.

SSA is also trying to improve the operation of the SSI program by achieving the following objectives by March 1979: reduce the SSI payment error rate to 4.3 percent; process 2.2 million overpayment disposition decisions; and reduce initial SSI claims mean processing time for aged cases to 27 days—and for blind and disabled cases, to 50 days.

The agency is developing and beginning to implement a comprehensive plan for improving AFDC administration. Included is a goal to reduce the national AFDC payment error rate to 7.3 percent by March 1979.

Another SSA goal is to reduce the volume of pending hearings from the September 1977 level of 92,000 to 76,000 by March 1979, and maintain the number of appeals pending at around 6,000 throughout the same period. SSA

is faced with the need to redefine its processes if it is to cope with ever-increasing workloads. Through the years, as new programs and new responsibilities have been assigned to it, SSA improvised and patched in an effort to continue to be responsive to legislative mandates and the public's needs. The result is a system which in many aspects is unwieldy, uneven in quality, and increasingly vulnerable to breakdown. To deal with the problem, SSA is planning a basic redesign of the entire SSA process. During FY 1978, the agency plans to continue the requirements definition phase of the development of its future process (see Office of Advanced Systems, p.5).

SSA is also preparing to begin processing annual wage reports from employers for wages paid in 1978. Public Law 94-202 and P.L. 95-216 provide for a single annual wage reporting system. The legislation authorizes the Secretaries of Treasury and HEW to enter into an agreement to use the form W-2 as an annual report of wages for both social security and income tax purposes. The first annual reports to be processed by SSA will be received beginning January 1, 1979. Annual wage reporting will have a major effect upon SSA staffing, claims development, and certain of its enforcement programs.

## SERVICE TO THE PUBLIC

SSA continued its search for ways to improve the efficiency, flexibility, and responsiveness of its service to the public. These efforts included improvements in the agency's sophisticated electronic systems, in its methods of communicating with the public, in the wording of its forms, among other activities.

### SSA Field Facilities

From July 1976 through September 1977, SSA opened ten branch offices for a total of 1,318 local offices nationwide. Proposals for 20 new offices were approved in November 1977. These 20 locations were identified nationwide as the most critical ones needing an immediate increase in social security services. When all approved facilities are open, fulltime service will be available in 1,333 locations.

During 1977, SSA staff completed space requests for 226 district and branch offices to the point of lease award or commitment to Federal space. These requests for expansion, relocation, and new space resulted from increased field staffing, opening of new branch offices, and an effort to upgrade field facility space. As of September 1977, 375 space requests for expansion, relocation, and new space were pending with GSA. The project to expand 26 district office trust fund buildings (where construction of the office is financed by the social security trust funds) progressed. The design stage was completed on 15 of the projects, and they were placed in the bidding process. Most of the 26 should start being built in 1978, with half completed in 1978, the rest in 1979. A process for constructing new trust fund buildings in 2 years was 95 percent complete. SSA staff completed negotiation of a new space allocation standard (SAS) with GSA in March 1977. The standard provides new space standards for district and branch offices and teleservice centers.

### Telephone Service

One new teleservice center (TSC) was opened during the year, bringing the total to 30. The new unit is located in Kansas City, Missouri. New mini-TSCs were established in Charlotte and Greensboro, North Carolina, and Memphis, Tennessee, for a total of 14. More than 14 million calls were handled by the TSCs during 1977.

Studies conducted early in the year identified 18 percent of the U.S. population as lacking toll-free access to SSA. During the year, toll-free service was completed for 4 States, and plans to extend service in 13 more States were developed. SSA expected to provide toll-free service for the entire Nation by the end of 1978.

### Express Interview Process

One of SSA's constant goals has been to reduce the time people have to spend in Social Security offices to conduct their business. In November 1975, the Dallas Downtown and Chicago North Social Security Offices began a pilot study involving an innovative use of SSADARS (see p.79) keystations to expedite postentitlement (after the claimant starts getting benefits) interviewing. The keystations were next to the reception area and thus available to the service representatives during the interview.

Thus, service representatives could enter data or obtain query responses with minimum interruption during the interview. This technique permits elimination of the manual operation of completing a paper input document. Instead, the information is keyed directly into the SSADARS system, converting a manual process to an automated one. As a result, the input document is eliminated and postentitlement actions are transmitted to SSA headquarters before the person leaves the office.

This new process reduced waiting and interview times as substantiated by independent results gathered at the North Bronx, New York office in March 1976. Prior to establishing the express interview unit, waiting time averaged 36.3 minutes and interview time 13.6 minutes. With the new process, times were cut to an average of 9.5 minutes waiting time and 9.9 minutes interview time.

Based on these improvements in service, 20 Social Security offices were using the new process in September 1977. The highest concentrations of offices using this procedure were in Chicago and New York City. SSA was moving toward implementation of this procedure nationwide. SSA trained some of its regional training staff in the express interview process in Chicago in September 1977. These trainers were then to train field office interviewers.

#### **Acceleration of the SSI Nonreceipt Process**

In April 1977, SSA and the Treasury Department implemented a new process to assist SSI recipients when they fail to receive their regular monthly check and are due payment for that month. Until April, 7 to 10 days were required to process and replace such a missing check. Under the new process, substitute checks can be issued in as little as 3 days. The reduced time was due to an agreement with Treasury's Birmingham Regional Disbursing Center to do all routine systems processing. This eliminated the need for SSA to compare all nonreceipt data against its full supplemental security record before transmitting the data to Treasury. Under the new process, information transmitted by local Social Security offices around the country is forwarded to Treasury each night. If the nonreceipt data is received in Birmingham by 1 a.m., Treasury guarantees a substitute check (where warranted) to be in the mail by 8 a.m. the same morning. The new process is the fastest replacement time for any Federal benefit program.

#### **SSA History Room Opened**

The SSA History Room in the headquarters building in Baltimore was dedicated and opened for public viewing in November 1976. This exhibit provides visitors with a graphic and audiovisual history of social security in Amer-

ica. It traces this history back to its European origins, on down through the beginning of the SSI program in 1974, and beyond. Much of the exhibit material was duplicated for use in HEW's History Exhibit Room in the HEW South Portal Building in Washington.

#### **Public Meetings**

SSA held meetings to discuss and receive public comment on proposed program regulation changes involving disclosure of information (Regulation 1) and guidelines for adjudicating disability claims with vocational factors. These meetings helped accomplish the HEW Secretary's directive to involve interested groups and members of the public in the decisionmaking process on important policy issues, where such policy decisions would be aided by public comment. The meetings were well received and generated numerous public comments which were reviewed and acted upon to clarify and improve policy.

#### **American Pulpwood Association (APA)**

##### **Educational Program**

SSA worked with APA and the IRS in developing an educational program to improve the wage reporting in the pulpwood and logging industry. APA sponsored a series of meetings on wage reporting and will hold educational sessions throughout the timber-producing areas of the East and Gulf Coast, Appalachia, and Great Lakes States. Also, articles on wage reporting will be published in trade journals, State associations' magazines, and company publications. The program should significantly increase compliance with wage reporting requirements by pulpwood and logging industry employers.

#### **Reduced Reporting Burden on Public**

SSA established a task force to review all SSA public-use forms and their instructions. The objective of the task force is to minimize the number of forms completed by the public and to reduce their complexity. By year's end, the task force had eliminated 47 SSA forms from public use and taken redesign actions to save the public over 2 million man-hours yearly when completing SSA forms. SSA anticipated

further reductions in the public reporting burden during 1978.

### **SSA Ombudsman**

In October 1976, SSA began a 1-year demonstration of an ombudsman-type service for the public in three areas—Dallas-Fort Worth, and the entire States of Georgia and Washington (Ombudsman service began in Boston in June 1976). The demonstration was to determine whether a service of this type would be an effective way to help persons experiencing difficulty in satisfactorily resolving problems through regular SSA channels. An independent contractor has been evaluating the project.

During the project the ombudsman received about 5,700 problems, primarily by telephone. Another 1,900 persons sought further explanation or verification of information already given to them by a Social Security office. The contractor's report and recommendations, along with the information and experience obtained by SSA, will be used to evaluate the demonstration.

### **Liaison with National Organizations**

A variety of activities stressed mutually productive relations of SSA with representatives of constituent groups. For example, regional forums were held in Denver, Atlanta, and Dallas during 1977, and in Seattle and Chicago early in 1978. With an average of 300 people representing themselves or special populations, the forums elicited frank and open discussion of public concerns surrounding SSA programs.

SSA held meetings with groups concerned with legal services and developmental disabilities, and held public sessions on such subjects as the Privacy Act and proposed rules for adjudicating disability claims.

An example of action during the year in response to the concerns raised by special interest groups was the establishment of an SSA workgroup to plan and coordinate matters affecting Native Americans. Periodic mailings to national organizations provided information about new developments in social security and SSI programs. SSA designed and piloted a training program in two regions to increase field staff understanding of the various advo-

cates, to stimulate cooperation, and to achieve results on behalf of the clients.

### **SSI Outreach**

The principal thrust of SSI outreach efforts in 1977 was the coordination of activities and projects with other Federal programs serving children. The objective is to identify, refer, and enroll handicapped children in all health and welfare programs so the child's total situation may be improved by combining a full range of service as need indicates. Efforts included cooperative activities through the Office of Education, Children's Bureau, the Department of Agriculture Extension Service, Veterans' Administration, Early Periodic Screening Diagnostic and Training Program under the Health Care Financing Administration, Head Start, and the Community Services Administration. SSA planned to work with institutions serving handicapped children to assure that institutional populations have been screened and arrangements made for ongoing referral. Also included was SSA consideration of a major ongoing systems approach to locate SSI eligibles through review of earnings records of workers with low earnings who are approaching retirement age.

### **Social Security Institutes**

During the year, SSA held Social Security Institutes in New Orleans, Dallas, Syracuse, New York, and Scottsdale, Arizona for State and local government employers, employee representatives, and employees. The meetings provided a forum for discussion of the value of social security protection and factors to be considered in any decision to withdraw from coverage. Discussion leaders were leading authorities on social security and included congressional committee representatives.

### **Public Information**

Fiscal 1977 marked the first full year of SSA's Public Affairs Standard Work Plan aimed at achieving national, regional, and local communication objectives. SSA developed and produced information materials—monthly information packages, publications, television and radio spots, films, posters, print ads, and

displays—in support of four national communications objectives:

1. Improve awareness and understanding of the SSI program (see above).
2. Create broader public understanding of the eligibility requirements for disability benefits and the disability determination process.
3. Increase public awareness of the value of social security protection and enhance understanding social security financing.
4. Achieve greater beneficiary knowledge and understanding of Medicare.

In December 1976, SSA placed nine TV spots on the three national TV networks, which aired them regularly. The spots also were distributed to local and independent stations. In August 1977, SSA contracted for another series of SSI outreach spots.

SSA produced four series of weekly radio programs: Country Music Time with Donna Fargo; Latin-American Fiesta (in Spanish) with Rita Moreno; Genius on the Black Side with Ossie Davis; and Music You Can't Forget with Carol Channing. The Carol Channing Show, new in 1977, was distributed to 2,115 stations, a new high for an SSA radio series. Also, SSA distributed five platters of radio spot announcements in English and two in Spanish.

Other major projects included a film explaining SSI and a film on the value of social security protection, audio-visual teaching aids to acquaint students with social security and SSI, and a self-mailer notice to get information to people who have their checks sent to financial institutions. Check stuffers were used to reach people who get checks at home.

Over 100 SSA publications, totaling 353 million copies were printed during 1977. Of these 350 million copies were printed outside SSA at an estimated cost of \$3,840,650. The other 3 million copies were printed in the SSA printshop.

#### **Congressional Relations Staff**

During 1977, SSA's Congressional Relations Staff continued to provide support services to Members of Congress and their staffs. These services included handling sensitive nonclaim

inquiries and critical casework inquiries involving constituents' claims, and keeping Members informed about SSA's operational changes, problem situations, etc. The Staff strives to maintain close working relations with the Congress.

Shortly after the first session of the 95th Congress began, the Staff visited the offices of all new Members of Congress—18 Senators and 69 Representatives. These visits were made to get acquainted, to inform new staff people about SSA's services, to brief them on SSA programs, and to answer their questions. In June 1977, over 300 congressional staff who work on social security cases and legislation participated in a briefing arranged by the Staff.

The Staff averaged 120 visits per month to the Washington congressional offices. Many of these visits were requested by the Members or by their staffs. The Staff received a monthly average of 455 special interest inquiries from Members of Congress and their staffs. The Staff's overall workloads increased 10 percent over 1976.

#### **Congressional and Other High Priority Inquiries**

Priority correspondence received in SSA headquarters for 1977 totalled 207,084—an increase of 21,584 or almost 12 percent over 1976. Weekly receipts averaged 3,982 compared to 3,567 for 1976. More than 75,100 inquiries were received on the disability programs—up 10 percent over 1976. RSI rose 4 percent to 43,664 in 1977, while SSI inquiries increased 18 percent to 27,554. Most of this increased workload was due to the influx of public mail as a result of President Carter's "write-in campaign."

Despite the increase in receipts, end-of-year pending totalled 7,740, down 26 percent from the end of 1976. This was due largely to operational improvements within SSA and to organizational changes in SSA's Office of Public Inquiries. These improvements resulted from internal surveys and recommendations from an Arthur Young and Company survey. The changes—which began as an experiment but were expanded and made permanent—allowed the consolidation of control and

routing operations. A good deal of writing will be added to this operation to further improve response time.

During August 1977, SSA installed a new word processing system that provides a faster, cheaper method for typing responses to inquiries. The system incorporates the latest advances in word processing technology and will be used for answering recurring questions that lend themselves to programmed responses. The system will also replace the equipment to send teletype acknowledgements on congressional inquiries. Extensive training on use of the equipment and efforts to establish a data base of recurring language were nearing completion at year's end.

#### **Press Office Activities**

During 1977, public interest in social security financing dominated SSA press activities. This issue was highlighted by the 1977 report of the Board of Trustees, which projected exhaustion of the social security trust funds without additional financing, and the Administration proposals for raising revenue. During the year, the Press Office responded to inquiries from the media on these and other issues, published HEW press releases, arranged press briefings and interviews for the Commissioner of Social Security and top staff, reviewed material for publication submitted by writers and editors, and prepared public information materials for the Commissioner and the HEW Secretary on SSA-related issues.

# RETIREMENT AND SURVIVORS INSURANCE PROGRAM

## FISCAL YEAR 1977

1977 compared to 1976 unless otherwise noted

### CLAIMS

		<i>Change Since 1976</i>
Applications Filed (Thousands)		
Worker .....	1,479	+ 1.6%
Dependents, Survivors, and Others .....	2,516	+ 1.5%
Total .....	<u>3,995</u>	+ 1.6%
End-of-Year Pendings (Thousands)		
District Offices .....	213	- 2.7%
Program Service Centers .....	208	- 26.2%
Total .....	<u>421</u>	- 16.0%

### BENEFICIARIES\*

	<i>Workers</i>	<i>Dependents and Survivors</i>	<i>Total</i>	<i>Change Since 1976</i>
In Current Pay as of 9/30/77 (Millions)	17.7	11.3	29.0	+ 3.9%
Benefit Payments during 1977 (Billions)	\$47.1	\$24.2	\$71.3	+ 17.7%

\* Includes \$160 million payment for 165,645 beneficiaries who qualify under the Prouty Amendment

## RETIREMENT AND SURVIVORS INSURANCE PROGRAM

Initial retirement and survivors insurance (RSI) claims increased by 1.6 percent during 1977 to nearly 4 million. Total RSI claims pending at year's end in the field offices declined by 2.7 percent from the end of 1976, while claims pending in the program service centers declined sharply by 26.2 percent. Overall claims processing time remained about the same—53 days in September 1977 compared with 52 days in June 1976. The accuracy of RSI claims processing remained about the same. The rate of payment-related errors was slightly higher in September 1977 than in June 1976. The percentage of all claims free of payment-related defects declined from 93.4 percent in June 1976 to 91.6 percent in September 1977. Postentitlement payment and change-of-address actions to maintain the beneficiary rolls increased by 1.9 percent over 1976 to 21.3 million.

### Direct Deposit Of Benefit Payments

SSA implemented the electronic funds transfer phase of its direct deposit program in February 1976. As of September 1977, over 5.7 million social security and SSI recipients (17 percent of all beneficiaries) had elected to have their monthly payments sent to a financial organization. Over 96 percent of the payments generated through the direct deposit program were issued through the electronic funds transmission system. The percentage of beneficiaries participating in the direct deposit program more than doubled in the 21 months ending September 1977.

<i>Month</i>	<i>Total Participating</i>	<i>Percent of Those Eligible to Participate</i>
12/75	2,405,202	8.5
9/77	5,727,642	17.0

### Immediate Payment Critical Case Procedure

While nearly all social security beneficiaries receive their RSI or DI checks on time, there are instances where, for a variety of reasons, a check is delayed or not paid when due. To ease this problem, SSA designed and initiated the immediate payment critical case (IMPACC) procedure in late 1976 with national implementation in November 1976. Under the IMPACC procedure, the beneficiary receives a check within 5 days (excluding holidays) from the time the social security office makes payment input into the system. At year's end, with 167,553 cases processed, IMPACC was working well, had been well accepted by the public, and was eliminating much of the public criticism of social security.

### Withdrawal Of Notices To Terminate Social Security Coverage

Some time ago, SSA received notices of intent to terminate State social security coverage agreements with respect to two large groups of employees. The first concerned employees of the State of Alaska. The second involved employees of New York City and several instrumentalities connected with the city including the New York City Board of Education and the Board of Higher Education. The latter notice involved the largest number of employees for whom termination of coverage was being considered. Both notices received considerable publicity and resulted in a large volume of SSA correspondence.

In June 1977, Alaska and New York City withdrew their notices of intent to terminate. Subsequently, notices were withdrawn with respect to all but one of the New York City instrumentalities. The one remaining entity has only two employees, and it, too, was expected to withdraw its notice. Of the close to nine million State and local Government em-

ployees with social security coverage, less than one percent had actually been withdrawn from coverage by year's end.

### **Court Decisions on Different Treatment of the Sexes**

Two landmark Supreme Court decisions, issued in March 1977, ruled the one-half support requirements for widower's and husband's benefits unconstitutional. The *Goldfarb* and *Jablon* decisions allow retired civil service annuitants and others who lack social security coverage or who receive minimum retirement benefits to become entitled to widower's and husband's benefits. Although the volume of claims was not as great as expected, about 75,000 individuals became entitled to benefits in 1977 with the elimination of the support requirement.

In March 1977, the Supreme Court also found that the different computation formulas for male and female wage earners born before 1913 were constitutional. *Will Webster*, who took the issue to court, alleged discrimination on the basis of sex and age. The Court reiterated its position enunciated in earlier rulings that gender-based distinctions in Federal statutes are permissible so long as they promote significant governmental objectives (in this case, attempting to correct the disparity in economic conditions between men and women).

Had the Court decided in Mr. Webster's favor, the total costs would have exceeded \$2 billion the first year.

### ***Mathews v. DeCastro***

In December 1976, the Supreme Court unanimously reversed a lower court decision which had held unconstitutional the provision of the Social Security Act which provides benefits for a wife under age 62 with a child of the worker in her care, but not to a divorced wife in such circumstances. In holding that the Act made a reasonable distinction between the economic circumstances of divorced and married women which is not unconstitutional, the Court concluded that it was "hardly surprising" that different congressional judgments applied to these two categories of women. The Court further reasoned that benefits payable to the wife with a child in her care represent

congressional interest in providing adequate protection for the family, while the failure to provide such benefits for divorced wives recognizes that such women may be assumed less dependent on the worker for support.

### ***Buffington-Biner* Personal Conferences**

Since October 1974, SSA has been under court order requiring that it offer oral preadjustment review before adjusting a person's benefits to recover an overpayment. This national order, issued in *Buffington-Biner* by the U.S. district court in Seattle, has had significant impact on SSA's overpayment adjustment procedures.

To comply with the order, SSA immediately stopped proposing adjustment in the initial notice of overpayment. Where adjustment was possible, the overpayment notice explained that the person would be notified at a later date concerning his rights with respect to the overpayment and its recovery. Beginning June 1975, SSA offered overpaid beneficiaries the right to personal conferences prior to adjustment, but until January 1977, only a limited number of conferences had been held on an experimental basis. This interim procedure, in effect from June 1975 through December 1976, permitted SSA to dispose of nearly all overpayment adjustment cases since relatively few beneficiaries who were offered the right to personal conferences requested a conference.

By January 1977, a backlog of about 2,200 cases remained in which personal conferences had been requested. No further action to recover the overpayments could be taken until conferences had been conducted, whether or not SSA eventually were to win *Buffington-Biner*. Thus, SSA decided that personal conferences should be held by its field office employees on an ongoing basis. The Commissioner of Social Security delegated the requisite authority for field office employees (GS-9 claims representatives and above, depending upon the size of the overpayment) to conduct personal conferences.

In May 1976, following adverse court decisions, the Supreme Court remanded *Buffington-Biner* and *Elliott-Molina* (a similar class action suit for residents of Hawaii but extending to DI as well as RSI beneficiaries)

to the circuit court in light of the Supreme Court's decision in *Eldridge* that SSA's disability termination procedures meet due process requirements. On July 1, 1977, the Ninth Circuit Court of Appeals upheld its earlier ruling that beneficiaries seeking waiver of overpayment recovery by adjustment are entitled to oral preadjustment hearings. SSA has recommended that the requirement to offer such hearings be appealed, again, to the Supreme Court.

#### **Direct Input Of Representative Payee Changes**

In the past, the appointment of a representative payee or a return to direct payment to a beneficiary could only be made in a time-consuming manual process. This delayed the directing of payments away from an incapable beneficiary and to a person identified as being able to act in the beneficiary's interest. This manual procedure also delayed the return of payments to a capable beneficiary.

In March 1977, SSA changed its procedure to permit local social security offices to make a change of payee via direct input; i.e., without manual processing. After a qualified person has been chosen to act as representative payee and the incapable beneficiary or his legal guardian has been advised, a change of payee can be entered into the SSA system by a local social security office. The local office can also take action to make a capable beneficiary his own payee. This direct input procedure reduced processing time by at least 45 days.

#### **Payments To Beneficiaries Residing Abroad**

During 1977, about \$612 million in retirement, survivors, and disability benefits were paid to 300,000 beneficiaries residing in 130 foreign countries. SSA mailed up-to-date reporting instructions to each beneficiary abroad to encourage the prompt reporting of disqualifying events. To verify continuing eligibility for the payments mailed abroad, SSA obtained signed and witnessed questionnaires from each of the 300,000 beneficiaries. Each student beneficiary's school attendance was verified directly with the schools or colleges overseas. Each centenarian beneficiary was interviewed in

person. Also, several thousand birth certificates from Greece and Mexico were systematically verified by comparison with source records, resulting in the identification of significant numbers of fraudulent documents. Also, several thousand birth certificates were systematically verified by comparison with foreign source records to insure their reliability.

SSA conducted validation surveys of the beneficiary roll in 1977 in Canada, the British Virgin Islands, Barbados, and Trinidad and Tobago. The agency made a special field investigation in the Cape Verde Islands to verify the eligibility of beneficiaries and to identify sources of reliable evidence. Claims taking was expanded in 1977 to State Department posts at Jerusalem and Tel Aviv. By year's end, 48 posts in 18 countries had been trained to develop social security claims. SSA gave advanced technical training in Baltimore for 13 foreign-national employees who perform social security work at Foreign Service posts in Israel, Italy, Mexico, Sweden, West Germany, and Yugoslavia.

#### **International Social Security Agreements**

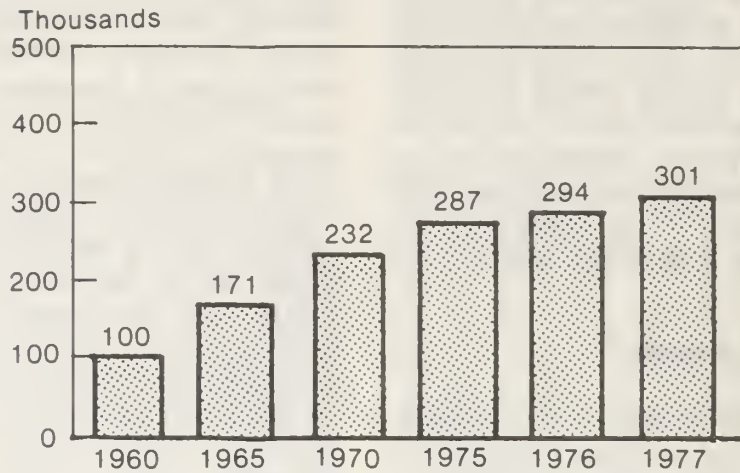
SSA provided background materials to HEW and congressional committees in regard to legislation to provide authority for the conclusion of international totalization agreements. The legislation was included in H.R. 9346.

Negotiations on a social security totalization agreement were held with Canada in May 1977. Preparations were made for a meeting with Switzerland in October 1977 and for concluding negotiations with Italy in October 1977 on an administrative protocol to the 1973 U.S.-Italy totalization agreement.

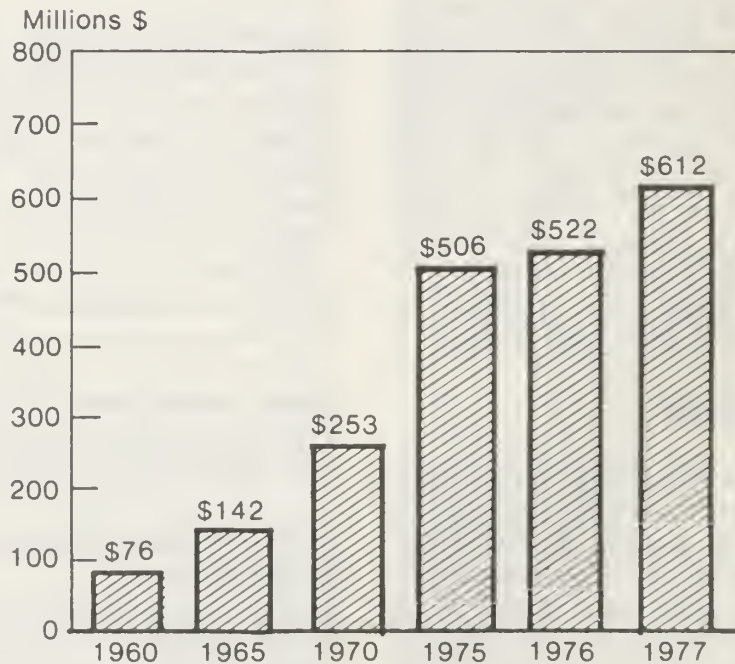
#### **Interim Northern Mariana Islands Social Security System**

SSA coordinated the activities of U.S. agencies in the operation of the Northern Mariana Islands (NMI) social security system established by P.L. 94-241 in March 1976. An SSA employee supervised the onsite operation of the system and proposed the budget for the system which was reviewed by SSA and approved by the NMI legislature in August 1977. SSA developed a 4-stage plan for legislative

## BENEFICIARIES OUTSIDE THE U.S.



## PAYMENTS OUTSIDE THE U.S.



changes to bring the interim NMI system into conformity with OASDI by 1981 when the two systems are expected to be merged. The first stage was forwarded to the NMI legislature and enacted on August 24, 1977. Claims

adjudication was assumed by the NMI system in January 1977; tax collection was assumed in April and transferred to IRS in July. Direct payment of benefits began in July 1977.

### **International Visitor Program**

Nearly 400 foreign visitors from more than 55 countries visited SSA during 1977. Since the formal inauguration of SSA's international program in 1962, over 8,000 visitors from 125 countries have participated in these training programs. SSA published the first issue of its International Newsletter, which is designed to keep foreign social security officials abreast of current development in the U.S. social security program, its organization and operations.

### **Reducing Fraud**

In March 1977 the HEW Secretary announced formation of the Office of the Inspector General to spearhead a drive against fraud and abuse in HEW programs. To strengthen program integrity SSA formed a new program integrity staff and developed a program integrity action plan. The new Integrity Staff in SSA's Office of Program Operations has broad responsibility over fraud operations in the RSI, DI, and SSI programs, as well as in the social security number and earnings record maintenance process. A record 146 fraud convictions were obtained in SSA cash benefit programs from July 1976 through June 1977.

In June SSA offices nationwide began doublechecking Texas birth documents submitted as proof in connection with new RSDI, SSI, and social security number (SSN) applications. SSA employees noticed that a lot of SSN applications were coming from people born in a small Texas town. Investigation established that most of the birth records were false. SSA also put into place several systems enhancements during 1977 that bolstered the integrity of SSA programs. These included interfacing SSA's supplemental security record on an ongoing basis with its earnings records and with VA and Railroad Retirement Board records.

### **Benefit Rate Increase**

The Social Security Act, as amended, required an increase in monthly RSDI benefit payments whenever the consumer price index for the calendar quarter ending March 31 each year is at least 3 percent higher than the base quarter. The increase is effective with the June check. SSA put into effect a 5.9 percent

cost-of-living increase for RSDI beneficiaries, beginning with the check mailed July 1, 1977. The increase was made automatically for 97.6 percent of all master beneficiary records, while the remaining 2.4 percent of those records were subjected to a manual review.

### **Research Studies**

SSA published several studies during the year on the aged and persons approaching retirement. A research monograph summarized the base-line 1969 data from the Longitudinal Retirement History Study. Two articles in the December 1976 *Social Security Bulletin* were based on findings from this study. They presented data on changes in the lifestyles of men and nonmarried women as they moved from ages 58-63 in 1969 to ages 62-67 in 1973. Subjects included work and retirement, health, living arrangements, and income.

Three other reports (*Bulletin* articles in April and July 1977 and a staff paper) were based on data for the population aged 60 and over in 1972. Incomes of aged units (couples or single persons) 65 and over improved somewhat between 1967 and 1971, but poverty continued to be a problem for almost one-third of these persons. Among aged women beneficiaries 62 years and over, the oldest were particularly disadvantaged because their benefits do not reflect the higher wage level and taxable maximums of recent years. Racial differences in income amounts and sources, education, work experience, and beneficiary status persisted into the older age groups.

For the first time, SSA analyzed data on changes in beneficiary payment status (*Bulletin*, March 1977). The vast majority of those who file at age 65 only for Medicare start to receive cash benefits within 1 year. Few who start drawing a cash benefit return to work and earn enough to lose their benefits.

Many proposals have been made to change social security provisions relating to women. SSA analysis of this subject continued through 1977. Issues included homemaker benefits, family earnings credit, and changes in the method of computing spouse benefits. An article in the February 1977 *Bulletin* examined the initial effects of the 1975 Supreme Court decision that provided benefits for widowed

fathers with dependent children in their care. In 1975, benefits were awarded to almost 5,000 widowed fathers; about one-third of them were under age 40. Benefits for widowed fathers averaged only about 63 percent of those awarded to widowed mothers during the same period, reflecting the lower earnings of their deceased wives.

First results from the 1973 survey of student beneficiaries were published in the 1976 *Bulletin*. About half of the student beneficiaries relied on their benefits to continue or complete their education; a third felt they would not be in school full-time if they were not receiving benefits. About a fifth were completing their secondary education; the remainder were in college. A short note in the November 1976 *Bulletin* discussed the first 11 years of the student benefit program. Student beneficiaries increased from 206,000 in 1965 to 774,000 in 1975. The greatest growth rate was for students from disabled-worker families. Although black and other minority students increased more rapidly than white students during the period, average benefits for minority students were considerably lower than those for white students.

Another note in October 1976 *Bulletin* presented program data on Spanish-surnamed beneficiaries in Arizona, California, Colorado, New Mexico, and Texas. These persons were about 10 percent of all beneficiaries in these States. Relatively more Spanish-surnamed beneficiaries were entitled to child's benefits and to widowed mother's benefits than were those without Spanish surnames. Average monthly amounts were considerably smaller

among the Spanish-surnamed beneficiaries than among the others.

### **Social Security In Other Countries**

How other countries maintain the value of their social security benefits during inflation was the subject of a November 1976 *Bulletin* article. Two other cross-national studies appeared as shorter notes in the *Bulletin*: housewives and pensions (September 1976) and alimony and public income support payments (January 1977). Four short reports in the *Bulletin* dealt with developments in specific countries: the impact of recession on the financing of French programs (July 1976); the gradual lowering of the retirement age in France (December 1976); the effect of recession on the financing of the West German pension program (February 1977); and the earnings index and old-age benefits in West Germany (March 1977).

### **Social Security And Other Programs**

Two articles in the March 1977 *Bulletin* examined the provisions of various private industry health insurance plans. A special analysis of 25 years of employee benefit plans appeared in the September 1976 *Bulletin*. The annual social welfare expenditures article (*Bulletin*, January 1977) pointed out that public expenditures for social welfare purposes continued to expand at an abnormally high rate during 1976. Articles on other public programs were also published in the *Bulletin*: workers' compensation (October 1976), Federal grants to State and local governments (September 1976), and temporary disability insurance (July 1976).

**DISABILITY INSURANCE PROGRAM**  
**FISCAL YEAR 1977**  
**1977 compared to 1976 unless otherwise noted**

<b>CLAIMS</b>		<i>Change Since 10/75-9/76</i>
Applications Filed (Thousands)		
Worker .....	1.243	+ .5%
End-of-Year Pendings (worker only, in thousands)		
District Office and State Agency .....	175.1	- 5.6%
Central Office .....	37.7	- 33.0%

<b>POSTENTITLEMENT ACTIONS (Millions)</b>	5.4	+ 3.1%
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Allowances	<i>No. (thousands)</i>	<i>Change Since 1976</i>	<i>Allowance Rate</i>
Initial Claims .....	487.9	+ 1.2%	38%
Reconsiderations .....	50.4	- 24.1%	23%
Hearing Requests .....	46.3	+ 21.7%	48.6%
Appeals .....	.9	- 28.8%	3.3%

	<i>No. (thousands)</i>
Reconsideration of Initial Denials .....	219.1
Hearings Requests of Reconsideration Decisions .....	95.8
Requests for Review of Hearing Denials .....	25.7
Court Affirmation Rate	
During 1977 .....	88%
Cumulative All Years .....	79%

**BENEFICIARIES**

	<i>Workers</i>	<i>Dependents</i>	<i>Total</i>	<i>% Change in Total</i>
In Current Pay as of 9/30/77 (Millions)	2.8	2.0	4.8	+ 5.7%
Benefit Payments during 1977 (Billions)	\$9.2	\$2.0	\$11.1	+ 16.3%

## DISABILITY PROGRAMS\*

Under the Social Security Act, State agencies, on the basis of medical and vocational evidence they have gathered, make the original determination of disability in the disability claims process (both for SSI and DI) after Social Security field offices receive claims and assemble information on the claimant's condition, treatment sources, how his condition affects his ability to work, etc. Then a sample of claims is sent to SSA disability headquarters for review; the district office completes the nondisability portion of the claims by the district office final authorization procedure, and initiates payment in most cases through the claims automated processing system.

Initial disability claims filed during FY1977 increased by 0.5 percent from the preceding 12 months to 1,243,000. Total disabled workers' claims pending in the district offices and State agencies decreased by 5.6 percent from the preceding 12 months to over 175,000, while claims pending in the Baltimore headquarters dropped 33 percent. Overall mean processing time of allowed claims declined from 105 days in October 1976 to 75 days in September 1977; the number of days to process denials increased by 3, to 61 during the same period.

Issues of greatest concern in the disability program were processing time of disability claims—particularly allowances—and the integration of improved processing time with a higher quality of claim adjudication. GAO, acting for the House Subcommittee on Social Security, and an SSA Disability Program Analysis Work Group made recommendations for achieving the above objectives. SSA formed a special work group, the Disability Initial Claims Processing Work Group, to study the entire claims process both in the field and

central office to identify ways to streamline the process. They made 48 recommendations which involved systems modifications, procedural changes, and other steps to improve the processing time. These, together with other improvements resulting from refinements in the claims automated processing system, (CAPS), including the introduction of phase III in May 1977 (see page 80), resulted in a reduction of disability claims processing time from a median of 80 days in September 1976 to 59 days in September 1977.

SSA also took other actions during 1977 to enhance the efficiency and timeliness of the disability claims process. The agency:

- Conducted a successful field test in some field offices and the State agencies in Kentucky and Wisconsin to verify the effectiveness of two proposed new forms, the disability report and the vocational report. The forms would replace the medical history-disability report and facilitate the recording of more accurate and timely disability information. SSA planned to begin using the new forms in January 1978.
- Completed nationwide testing and training of State agency examiners in evaluating vocational factors in disability claims.
- Began to use the new special postadjudicative review (SPAR) procedure, a national test of additional categories of claims deficiencies for return to the State agencies, in January 1977.
- Introduced a revised model State agreement and new organization and workflow for State agencies.

SSA also prepared for the full implementation of the reconsideration interview procedure, in accord with the SSA Commissioner's decision to establish the process. Because funds have been suspended, planning for the proce-

\* SSA is responsible for both the social security disability insurance (DI) program and the SSI disability program

procedure has been discontinued temporarily. By giving claimants seeking reconsideration a chance to discuss their cases face to face with a State agency claims examiner, the procedure tells claimants more about disability requirements and the evidence needed to adjudicate the claim. It also lets them present additional evidence to support the claim. This procedure was expected to reduce the number of claims reaching higher appellate levels.

### Quality Studies

To improve the total disability process, SSA began a pilot end-of-line review of its Title II nondisability award actions in June 1977. The review, which is scheduled to start full-scale operation in the fall of 1978, monitors the quality of SSA's adjudicative process by reevaluating all nondisability aspects of initial DI awards after all necessary payment actions. The reviews will provide immediate individual case feedback to SSA field offices and monthly reports to SSA headquarters and, when the procedure is fully operational, to the regions.

Another special study of SSA field office technical denial actions showed that these offices were performing adequately in this area. Initial review of the study cases revealed a substantive accuracy rate of 91 percent. After appropriate action was taken on the deficient cases, the field office decision was found to be correct in 95 percent of the 3,287 study cases. The study revealed significant procedural problems which resulted in delayed processing or unnecessary work. Efforts were underway to improve the process.

### National Special Postadjudicative Review Test (SPAR)

In September 1974, postadjudicative review began in the disability program. Postadjudicative review assesses State agency performance and provides feedback to encourage State agencies to make desired improvement. The reviewer analyzes cases and identifies and records deviations from policy and/or procedure and pinpoints unsound adjudicative practices. SSA found that the method of feedback on deficient cases could be improved by provid-

ing greater specificity on the noted deficiencies. Therefore, SSA decided to test a new classification of deficiencies for return to the State agencies for corrective action. This test is known as the special postadjudicative review (SPAR) test. The SPAR test began in January 1977. At year's end, SSA was assessing whether its objectives were being met.

### State Agency National Goals for Accuracy and Processing Time

In 1977, national accuracy goals were established for cases returned to the State agencies under the SPAR test. The accuracy goals were: cases free of clear decisional error—99 percent, and cases free of all error—90 percent.

Interim goals for the State agencies for processing all initial disability claims were:

State agency mean time . . . . .	38 days
State agency median time . . . . .	33 days
No more than 18 percent of claims pending over . . . . .	45 days
Nor more than 5 percent of claims pending over . . . . .	70 days

National goals for the *total* disability claims processing time were set as follows:

Initial SSI blindness/ disability claims . . . .	50 days (mean)
Initial DI claims only . . . .	80 days (mean)
	60 days (median)

These overall goals included processing through all stations from receipt of application in the SSA field office.

To reduce State agency processing time, SSA began an elapsed-time study of State agency processing. This consisted of a station-by-station study of the time that a case spent in various work locations from receipt of the folder in the State agency to the time of dispatch. Several recommendations of the Initial Claims Process Work Group were directed toward control of old cases in the State agencies, including expediting the processing of presumptive disability SSI cases and adopting the recommendations of the Task Force on Model State Agency Organization and Workflow.

## **Automation of the SSA Five-Percent Quality**

### **Assurance Sample System**

SSA implemented full automation of the sample selection of initial disability claims for quality assurance review in July 1977. The automated system identifies all initial disability claims filed under Title II (DI) and Title XVI (SSI) including those filed concurrently under both titles that are to be reviewed for quality assurance. The automated selection was expected to enhance the validity of the data derived from the improved sample. At year's end, SSA was introducing other processing systems changes designed to decrease processing time, shift workload responsibilities to the field, and change manual workload processing to automation.

### **Automated DI/Quality Assurance (QA)**

#### **Data Base Systems**

A multiphased automated QA data collection system was implemented nationwide by March 1977 to improve quality in the disability determination process. As a part of this system a single QA data form is used to record the results of the review of cases prepared in the field offices and has replaced most of the prior data collection forms formerly used in the field and central office. The form permits direct data entry onto the automated system creating a national data base. This permits central office and regional office components to have immediate access to information about any aspects of disability quality review.

#### **Continuing Disability Investigations**

In the fall of 1976, SSA reviewed 1,000 State agency medical continuances (where a medical review determines that a beneficiary's disability is continuing). This review resulted from increasing concern over the growth of the disability rolls and reduced cessations of disability benefits due to medical recovery. SSA began a 100 percent pre-adjudicative review of all State agency medical continuances in October 1976. The review of all continuances continued through June 1977 when SSA decided to reduce the percentage of cases reviewed because of high workloads. Effective July 1977, SSA kept the 100-percent review rate on continuances for States with high deficiency rates

and began a 50 percent review for the other States. SSA planned to publish data on the types of cases found to be more error prone or error free.

### **Vocational Rehabilitation (VR)**

SSA continued to strengthen the DI and SSI rehabilitation programs in 1977. Many of the problems reported by GAO in 1976 had been, or were being, overcome at year's end. In 1976, SSA and the Rehabilitation Services Administration (RSA) instituted annual onsite reviews of all 82 VR agencies. Also, all VR agencies received more definitive program guidelines and materials for conducting a self-evaluation. As a result, in one critical area (application of the special criteria for selecting beneficiaries to be rehabilitated with DI or SSI funds), the VR agencies have demonstrated substantial improvement. While the earlier reviews revealed a 23-percent error rate in VR agency application of the special criteria, reviews conducted July 1976 through July 1977 found a 15-percent error rate.

Improvement in other areas of performance was also evident in 1977. The VR information system is an example. While some systems problems in generating verification documents to VR agencies and producing data for program analysis remain to be worked out, the system, even in its early stages, served two functions. It provided a much-needed mechanism for tracking referrals to VR from the State disability determination services and other sources, and for enforcing the "VR refusal" sections of the Act. Over 15,000 instances of refusal have been processed under the system. Other goals realized in 1977 included: SSA/RSA production of a special job aid designed to help VR counselors correctly apply the above special criteria, development by the West Virginia Research and Training Center (with SSA/RSA help) of a uniform VR training program for VR counselors, implementation of an SSA/RSA review of terminations credited to VR agencies, start of an SSA outreach program to find beneficiaries who might be suitable candidates for VR, and computerized tabulation and analysis of SSA/RSA findings from VR agency reviews. Also, some important work groups were convened to

set performance standards for VR agencies and modify screening and referral guidelines for the State agencies; the goals of these groups should be realized in 1978. While SSA made progress in improving the DI and SSI rehabilitation programs, one intractable problem remained at year's end—the continuing existence of rehabilitation disincentives. For many beneficiaries, the prospect of losing cash benefits and/or Medicare, or the possibility of having to serve a second waiting period to regain Medicare coverage, made rehabilitation unattractive.

SSA disability beneficiaries receiving DI rehabilitation services increased from 78,063 in 1976 to 80,037 in 1977. Trust fund expenditures on the rehabilitation program decreased from \$96 million in 1976 to \$90.6 million in 1977. However, beneficiary rehabilitations declined from 12,826 in 1976 to 11,995 in 1977.

#### **Program Integrity and Prevention of Fraud**

In January 1977 SSA's Bureau of Disability Insurance established a disability program integrity and audit staff to direct and coordinate the prevention of potential fraud, program abuse, and criminal activity in the DI program. (In November, the staff was absorbed into the DI program evaluation function as one of the activities of that function.) The staff audited SSA's disability headquarters mailroom and premium recovery cash collection function and verified proper receipt, processing and recording of cash receipts; the facilities of the U.S. Postal Inspection Service were used where needed during the review. To help insure the continued integrity of the disability beneficiary rolls, the staff began a review of beneficiaries who have been on the rolls for a long time to be sure they are still entitled to benefits.

From July 1976 through September 1977, the Bureau of Disability Insurance court case staff completed 384 suspected violation cases (360 disability and 24 black lung). Of these cases, 329 (305 disability and 24 black lung) were closed out because the evidence did not establish a criminal violation or because of mitigating factors. Fifty-five cases (all disability) were forwarded to U.S. attorneys with recommendations for prosecution. Fourteen

cases (11 disability and 3 black lung) were successfully prosecuted.

#### **Action on GAO Recommendations**

GAO's 1976 study of the disability program recommended improvements in instructions, training, quality assurance (QA), and other aspects of the management of the disability process. While SSA did not agree with all of GAO's findings, it established an action plan to monitor progress in responding to the recommendations. Implementation of that plan in 1977 resulted in:

- Basic changes in the QA system.
- Improved criteria and instructions to the States through establishment of a program operations manual system incorporating numerous temporary instructions into permanent manuals.
- An expanded basic disability examiner training program and a training course on the documentation and evaluation of vocational factors in adjudication.
- New forms and instructions to simplify and facilitate input from SSA field offices to State agencies.
- New SSI listings of childhood impairments and revisions in the adult medical listings.
- Establishment of a steering committee to determine the feasibility of a system to measure and report on the uniformity of the disability determination process.

SSA continued to work on two other GAO recommendations: development of a model State agency organization and workflow, and strengthening the Federal-State agreement.

#### **Model State Agency Organization and Workflow**

An ad hoc task force on organization and workflow in the State agency convened in Baltimore in August 1976. The members represented State agencies and SSA DI regional offices and were supported by SSA headquarters staff. The work group formulated a set of organizational and workflow principles for State agencies which, in line with their charge, best promoted efficiency and uniformity in the

disability claims process. These principles include a model organizational structure with a functional description of its components and a workflow system comprising: (1) a functional flow chart, (2) a workflow chart, and (3) a description of the integral process.

Early in December, the report was sent to the SSA regional staff and to the Council of State Administrators of Vocational Rehabilitation (CSAVR) for comment. SSA regional commissioners responded that such a model would be desirable but could not be totally implemented without changes in the Federal-State agreement. The CSAVR endorsed the report as a guide only. SSA sent the report to all State agency directors and administrators for use as a guide and resource document. The report was issued with the understanding that further study and possible testing of some of the findings and recommendations would be necessary before the report could be used by all State agencies. Still, as a guide and resource document, it may improve existing State operations.

#### **Strengthening the Federal-State Agreement**

In its report on the study of the administration of the disability determination process, GAO stated that SSA should adopt a stronger and more active management role. GAO also recommended that, as a part of this stronger role, the HEW Secretary should review the agreements with the State agencies and suggest revisions to clarify the responsibilities of each party, consistent with a uniform disability determination process. This finding led to a review, during the summer of 1976, of the current agreement language and related statutes to ascertain changes to define Federal-State responsibilities more clearly and to strengthen the Federal leadership role in the disability process. Important changes in the agreement included: (1) expanded definitions to clarify terms used in the agreement; (2) broad delineation of responsibilities of the parties to the agreement, e.g., those shared, those of the HEW Secretary, and those of the State; (3) provisions for the Secretary's monitoring and evaluation of the performance of the State agency as it concerns adjudicative and administrative standards; and (4) provisions for the

State or the Secretary to provide training on standards issued by the Secretary.

SSA solicited discussion and comments from the Committee on Social Security Relationships of the CSAVR. After formal approval of the language by SSA, negotiation will begin with the States.

#### **Disability Studies**

A review of the causes of DI growth in recent years indicated that increased unemployment, greater public awareness of the disability program, higher benefit levels, liberalizations in program provisions, and increased appeal rates are likely to be some of the major factors leading to DI program growth (*Social Security Bulletin*, October 1976). During 1977, the *Bulletin* published six reports based on SSA's 1972 national survey of 18,000 disabled and nondisabled adults aged 20-64. The first report discussed the general characteristics of these persons and estimated that about 15.6 million persons—14.6 percent of the working age non-institutionalized adults—were disabled. The disabled tended to be older, poorer, and less well-educated than the nondisabled, and more likely to be black, live in the South, and to be divorced, separated, or widowed. The second report (March 1977) dealt with functional capacity limitations. About 29 million persons—1 out of 4 working age Americans—experienced some limitation, and these limitations increased with age. Functional limitations increased the probability of a person receiving benefits from public income maintenance programs—from 12 percent for those with no functional limitations to 40 percent for those with severe limitations.

The third report noted that only one-quarter of the disabled had received rehabilitation services; three-fifths said they were not interested in such services (May 1977). The fourth report (also in the May issue) found that disability had a negative effect on family structure, causing less stable marriages of shorter duration. Within the nuclear family, contraction of activities, rather than compensatory shifts in sex roles, and decreased participation in most aspects of living were the major consequences of disability.

The fifth report, an analysis of employment and work adjustments of the disabled, showed that those employed full-time before becoming disabled were more likely to work after the onset of disability than those who had been part-time workers (July 1977). Most of those who returned to work after onset did so within 6 months, with men returning more quickly than women. The sixth report compared disabled-worker beneficiaries under the OASDI program with severely disabled public assistance recipients (August 1977). The former were primarily men—72 percent versus 28 percent—and older—with a median age of 57 versus 48. Public assistance recipients became disabled at an earlier age, held less skilled jobs, earned less money, and had a weaker attachment to the labor force before the onset of disability. All these characteristics greatly reduced their chances of qualifying for benefits. A chart book highlighting the findings of the 1972 survey was published in September 1977.

Research in the area of work effort of the disabled continued with a study, published in September 1977, showing that earnings capacity is reduced substantially by disability but that formal education and job experience can mitigate those losses somewhat. Vocational training appears to greatly enhance the poten-

tial earnings of disabled workers with less than a high school education, but it has little positive effect for better-educated workers.

Other published analyses focused on the effect of unemployment on disability insurance applications, the increase in the incidence of disability, and changes in the proportion of wages replaced by disability insurance. Planning began for a 1978 survey of factors related to application for DI benefits.

A follow-up study on persons whose DI claims were denied in 1967 indicated that only a small proportion returned to work. Based on reports of death in the 5 years following the initial disability decision, claimants initially allowed or who appealed and won reversal were more severely disabled than those denied or who did not appeal (staff paper published in August 1976). In addition, a comparison of allowance rates for persons with psychiatric and cardiovascular impairments was published as part of a series on the reconsideration process from the Longitudinal Sample of Disability Insurance Applicants (September 1976). A statistical evaluation of the effect of services by State VR agencies indicated that services did increase earnings of those who completed State rehabilitation programs (staff paper published in April 1977).

## BLACK LUNG PROGRAM

### CLAIMS (Thousands) (Cumulative December 1969 through September 1977)

SSA Jurisdiction Cases .....	584.6
DOL Jurisdiction Cases .....	118.6
Pending in SSA Field Offices (SSA and DOL Cases) .....	.1

### BENEFIT PAYMENTS (Millions) (SSA Jurisdiction Only)

During FY 1977 .....	\$ 941.3
Cumulative from 1969 .....	\$5,749.3

### BENEFICIARIES (Thousands) in current pay on September 30, 1977

Miners .....	155.3
Survivors .....	148.4
Dependents .....	172.2
Total .....	475.9

### ADMINISTRATIVE COSTS (Fiscal Year 1977)

Manpower .....	675 man-years
SSA Administrative Costs (Obligations) .....	\$13.7 million

## BLACK LUNG PROGRAM

When the responsibility for new black lung (BL) miner claims shifted to the Department of Labor (DOL) in July 1973 and for most new survivors claims in January 1974, BL ceased to be a significant factor in SSA's disability operations. However, maintenance of the black lung rolls continued to require considerable SSA manpower.

Throughout 1977, SSA field offices continued to assist the Department of Labor (DOL) by taking new BL claims applications. SSA also continued to help DOL by supplying evidence from SSA black lung folders and from SSA accounting records. DOL reimburses SSA for all services to implement Part C of the Federal Coal Mine Health and Safety Act as amended.

### Continuing Workloads

While the DOL has responsibility for all new BL claims, SSA is responsible for paying BL benefits for all claims filed before July 1, 1973, and for all survivors claims filed within 6 months of the entitled miners' or widows' death claims. The number of BL beneficiaries (miners, dependents, and survivors) began to decline in March 1976, and by September 1977 totaled 476,000. Benefits paid during 1977 totaled \$941.3 million.

The number of new BL claims filed in SSA field offices dropped by 31 percent, from 29,000 in 1976 to 20,000 in 1977. About 88 percent of these claims were under the jurisdiction of DOL, and SSA forwarded them to that agency for handling. The number of new claims coming under SSA jurisdiction fell from 3,800 cases in 1976 to 2,309 cases in 1977. Although the number of BL reconsiderations filed increased by 40 percent in 1977 to 700, requests for hearings declined from 5,024 to 1,455, a drop of 71 percent from 1976.

### BL Benefit Increase

Since BL benefit rates are based on the Federal pay scale at GS-2, BL benefit rates were increased for the eighth time in the program's history when Federal salaries were raised in October 1976. As a result, benefits were increased to \$205.40 a month for a miner or widow, \$308.10 to a miner or widow with one dependent, \$359.50 to a miner or widow with two dependents, and \$410.80 to a miner or widow with three or more dependents.

### Improvements to the Black Lung System

SSA planned three improvements to the BL claims records system to bring it more into

### BL Appellate Decisions (Thousands)

	<i>Reconsiderations</i>		<i>Hearings</i>	
	1976	1977	1976	1977
Received	0.5	0.7	5.0	1.5
Cleared	1.2	0.6	27.8	2.0
Reversed	0.1	0.1	7.9	0.8
Affirmed	1.1	0.5	19.9	1.2*
End-of-Year				
Pending	0.5	0.7	1.5	0.8

\* Includes dismissals.

conformity with the Title II disability insurance system and provide added processing capabilities. These were: (1) combining the payment and benefit master records, (2)

placing the master record online and providing for maintenance of transaction history and a query facility, and (3) expansion of automated processing capability.

**HEALTH INSURANCE PROGRAM**  
**FISCAL YEAR 1977**  
**1977 compared to Oct. 1975—Sept. 1976 period**  
**unless otherwise noted**

**CLAIMS**

Receipts (Millions)	10/75-9/76	FY1977	Percent Change
Part A (Fiscal Intermediaries) .....	30.5	33.2	+ 9.2%
Part B (Carriers) .....	96.5	110.0	+ 14.0%
Total .....	127.0	143.2	+ 12.8%
End-of-Year Pendings (Millions)			
Part A .....	.7	.7	0%
Part B .....	3.1	3.1	0%
Total .....	3.8	3.8	0%
Processing Time (Mean Days)			
Part A .....	10.7	10.3	- 3.7%
Part B .....	14.8	14.0	- 5.4%

**BENEFICIARIES WITH PROTECTION**

as of January 1 (Millions)		
Part A .....	25.0	25.6
Part B .....	24.2	24.9

**PAYMENTS**

(Billions)			
Part A .....	\$12.8	\$14.9	+ 16.4%
Part B .....	\$ 4.9	\$ 5.9	+ 20.4%

# HEALTH INSURANCE PROGRAM FISCAL YEAR 1977

## PROVIDERS OF SERVICES

End-of-Year

### Part A

Hospitals .....	6,736
Skilled Nursing Facilities .....	3,958
Home Health Agencies .....	2,373
Total .....	13,067

### Part B

Physicians .....	250,000
Laboratories .....	3,088

## PRIVATE CONTRACTORS

End-of-Year

### Part A

#### Intermediaries

Blue Cross .....	68
Other Insurance Companies .....	8
Federal Government .....	1
Subtotal .....	77

### Part B

#### Carriers

Blue Shield .....	32
Other Insurance Companies .....	15
Federal Government .....	1
Subtotal .....	48

Total .....	125
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STATE AGENCIES .....	53
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POSSESSIONS .....	2
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Total .....	55
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## HEALTH INSURANCE PROGRAM

Medicare, provided under Title XVIII of the Social Security Act, is a federally administered program providing two types of health insurance: hospital insurance (Part A), which covers inpatient hospital, skilled nursing facility, and home health care, and supplementary medical insurance (Part B), which covers physicians' services and many other medical services. Medicare protection is available to people aged 65 and older, people who have been entitled to cash social security benefits for at least 24 consecutive months on the basis of their disability, and certain end-stage renal disease patients. The hospital insurance program is financed on a self-supporting basis through contributions on current earnings paid by employees, employers, and self-employed persons. The supplementary medical insurance program is voluntary and is financed through monthly premiums paid by eligible individuals who elect to enroll for such coverage and from Federal general revenues. Almost all of the Nation's aged are covered under both the hospital and supplementary medical insurance programs.

Most of the claims processing and payment operations of the Medicare program are performed by private organizations called intermediaries under the hospital insurance program and carriers under the medical insurance program. These organizations—commercial insurance companies and Blue Cross-Blue Shield plans—participate in administration of the program under statutory prescription in the original Medicare legislation.

### Workloads and Processing Time

The upward trend in the number of Medicare claims received continued into 1977. Two factors which contributed to this trend were the steady increase in the number of covered beneficiaries and the growing tendency of beneficiaries to submit claims for each bill or service received rather than accumulating them for

periodic submittal. FY 1977 bill receipts for Part A intermediaries rose to 33.2 million, while claim receipts for Part B carriers climbed to 110.0 million. These represented increases of 9.2 percent and 14.0 percent, respectively, over October 1975-September 1976. In combination, Medicare claim receipts (Part A plus Part B) rose 12.8 percent.

Despite the increase in receipts, Part A intermediaries and Part B carriers managed to hold their September 1977 pendings to the same level as in September 1976 (0.7 million and 3.1 million, respectively). Contractors, as a group, were able to contain the volume of their pending claims in spite of increased claim receipts because of increased automation and improved claims management processes.

The timeliness measures of contractor performance in FY 1977 showed improvement over the preceding 12 months. Processing time for bills handled by Part A intermediaries declined slightly to 10.3 days. Also down was the average monthly percentage of bills pending over 30 days which dropped substantially, from 19.4 percent to 17.4 percent.

Even more substantial was the improvement in the claim processing times of Part B carriers in light of the rising number of claims received. Carriers reduced their claim processing time by almost a full day, from 14.8 days to 14.0 days. At the same time, the average monthly percentage of claims pending over 30 days fell from 18.6 percent to 15.5 percent.

### Reconsideration and Hearing Workloads

	Part A Reconsiderations	
	10/75-9/76	FY 1977
Receipts	12,355	24,027
Affirmations	6,835	11,966
Reversals and Partial Reversals	3,235	4,962
End-of-Year Pendings	4,194	11,293

The number of Part A reconsideration requests filed in FY 1977 nearly doubled over the preceding 12 months. The percentage of affirmations of initial denials on reconsideration rose to 71 percent from 68 percent for the prior 12 months.

The sharp increase in reconsideration requests was due largely to a policy adopted by the New York Medicaid Agency, which requires skilled nursing facility providers in that State seeking reimbursement under Medicaid for services provided to Medicare beneficiaries first to file a claim under Medicare for covered or questionable services. Denials are then followed up with form appeals before submitting them to Medicaid for payment. This increased the number of reconsideration requests which in turn increased pending reconsiderations. Pending rose sharply from 4,194 in September 1976 to 11,293 in September 1977, an increase of 169 percent. The percentage of requests pending over 90 days more than doubled for the same period. Negotiations between HCFA and the New York State Medicaid Agency were planned to resolve the situation.

#### Part B Carrier Reviews

	10/75-9/76	FY 1977
Receipts	1,108,738	1,364,879
Processed	1,089,463	1,343,884
End-of-Year Pending	87,323	108,318

Part B reviews continued to increase in 1977, up 23 percent over the preceding 12 months. End-of-year pendings rose by 24 percent over September 1976. Reversals favorable to claimants rose by 1 percent (from 52 percent to 53 percent).

#### Part B Carrier Hearings

	10/75-9/76	FY 1977
Hearing Requests	12,023	20,266
Hearings Processed	12,779	17,087
End-of-Year Pending	4,217	7,396

Requests for Part B hearings continued to increase during 1977, up 68 percent over a year earlier. Reversals increased by 9 percent in 1977.

#### Fraud and Abuse Investigations

In 1977, there was an increase of 8 percent in cases submitted alleging possible fraud over a year earlier. Greater publicity about fraud convictions made beneficiaries more likely to report discrepancies. Further improvement in detection procedures increased Medicare's capacity to identify possible fraudulent claims.

In the same period cases submitted alleging possible abuse declined by 15 percent. The majority of abuse complaints historically has been assignment violation. While the reasons for this decline were not yet established, carrier publicity on assignment requirements was a likely factor.

During 1977, 52 individuals were indicted for fraud and 32 convictions were obtained. As of September 30, 1977, 217 cases were pending with U.S. Attorneys.

	Fraud		Abuse		Total	
	10/75-9/76	1977	10/75-9/76	1977	10/75-9/76	1977
Receipts	4,309	4,658	1,845	1,551	6,154	6,209
Clearances	3,551	3,943	1,687	1,780	5,238	5,723
End-of-Year Pending	2,397	3,612	1,210	981	3,607	4,593

#### Payment Review (PARE)

Medicare began conducting the seventh annual Payment Review Project (PARE) to identify physicians who were reimbursed \$25,000 or more (\$10,000 or more to podiatrists and \$5,000 or more to chiropractors) in calendar 1976 and whose pattern of practice when compared to their peers revealed a variance which required review for potential fraud or program abuse. At year's end, 3,983 physicians had been identified for review. In 143 cases, overpayments of \$535,743 were identified and recovery action pursued through the carriers. In addition, 26 cases were referred for investigation since fraud might be involved.

#### Termination and Exclusion

During 1977, the Medicare Bureau Director received 53 referrals recommending exclusion or termination of physicians, suppliers and providers of service because of fraud or a persistent pattern of program abuse. By year's end,

the Director had made 29 decisions in favor of exclusion or termination. In 17 of these cases, the affected party filed an appeal against the decision; in 8 cases the appeal was denied and the party excluded.

## **HI Civil Litigation**

### **A. Government Defendant Suits**

From July 1976 through June 1977, 155 new court actions were filed against the Government, an increase of 33 percent over 7/1/75 to 6/30/76. The courts rendered 123 decisions (107 by district courts, 11 by U.S. Courts of Appeal, 4 by the Court of Claims, and 1 in an Arizona State court). Of the district court decisions, 35 were favorable to the Government, 31 were unfavorable, and 41 cases were dismissed. Courts of Appeal affirmed HEW in 10 cases and reversed in only 1 case. Of the 155 new court actions, 35 involved aggrieved providers who sought judicial review of final Provider Reimbursement Review Board decisions or of any reversal, modification, or affirmance by the HEW Secretary of a Board decision.

### **B. Government Plaintiff Suits (Overpayment Litigation)**

GAO is generally responsible for all debts due the U.S. which cannot be collected, compromised, terminated, or suspended. Where GAO is unable to settle the debt, the matter is referred to the Department of Justice for possible litigation. Certain debts, such as those represented in bankruptcy cases and compromise offers of amounts in controversy exceeding \$20,000, bypass the GAO process and go directly to the Department of Justice.

From July 1976 through June 1977, HCFA referred 1,226 cases to GAO, representing overpayments to Medicare providers, suppliers, and individual physicians in excess of \$60 million. Of the 1,226 cases referred to GAO, 467 went to Justice. Also, 88 bankruptcy cases went directly to Justice without referral to GAO.

Two hundred and five overpayment cases referred to Justice were closed. In 70 cases, full restitution of the overpayment debt was

made; in 72 cases, compromise offers were accepted; in 17 cases, no money was collectible; in 10 cases, the Government received default judgments; in 23 cases, files were returned after comments were furnished; in 2 cases, the Government obtained summary judgments; in 1 case, the Government obtained a stipulated dismissal; in 3 cases, there were adverse decisions and no appeals were entered; in 4 cases consent judgments for the total amount of overpayment were received; and in 3 cases, overpayments were eliminated upon the filing of a cost report. Forty-three of the bankruptcy suits were closed—17 because there were no assets, 12 because of partial restitution; 9 because no overpayment existed, and in 5 cases the overpayment debts were paid. As of June 30, 1977, \$2,661,394 has been either fully collected or was being recouped.

### **End-Stage Renal Disease Program (ESRD)**

About \$700 million was paid in FY 1977 for about 37,100 beneficiaries for kidney dialysis and transplant services. Of these, 18,300 were covered solely on the basis of the special under-65 provision of the law for individuals with chronic kidney disease (CRD), 12,100 (also under 65) under the regular disability provisions of the law, and 6,700 under the regular age 65 provisions. As of January 1, 1977, 840 facilities had been granted interim approval to provide renal services to CRD beneficiaries. Of these, 650 were providing hospital services, and 190 were providing nonhospital services.

In June 1976, HEW published final regulations on the Conditions for Coverage of Suppliers of End-Stage Renal Disease, under which all facilities participating in the program, as well as new applicants, were required to file an application after August 31, 1976, to establish continuing eligibility for participation. Certification of all ESRD facilities providing services approved under the prior interim regulations would automatically terminate as of September 1, 1977, unless a facility participating in the interim program was approved under the new regulations before then. From September 1976 through August 1977, 868 renal dialysis suppliers applied under the published conditions for coverage. By August 31, 1977, State agencies had surveyed all applicant facilities to

evaluate compliance with the conditions for coverage and determined whether reimbursement will be made for renal services. Of the 868 applicants, 827 facilities were approved and 41 denied. All 41 denied facilities were formerly in the interim ESRD program. To provide time for the orderly transfer of patients to approved facilities, payments were continued to denied facilities for services rendered through September 1977. This assured continuity of care.

SSA developed an ESRD Medical Information System to collect both medical and reimbursement data effective October 1976 on the renal provisions of the law. Its primary objective is to improve ESRD patient management and the quality of medical care furnished by renal facilities, ESRD network coordinating councils, and medical review board by standardizing information on the ESRD treatment delivery system.

ESRD facilities participating in the long-term ESRD Medicare program will submit medical and reimbursement data through fiscal intermediaries in the same way Medicare bills are processed. Also, Medicare will obtain supplemental information on transplantation, death, health, and rehabilitation status and home patient statistics on renal beneficiaries from the renal facilities. This information will go to all renal facilities annually. These reports will be subdivided into summary and detail profiles describing patient flow through the ESRD treatment system, dialysis services, transplant services, and patient morbidity and mortality. Comparisons can then be made among individual facilities within their network. In addition, Medicare will produce semi-annual reports describing ESRD suppliers, type of services provided, and patient distribution by modality of treatment, both by network and nationally.

#### **Replacing the Part B Carrier for Maine**

The Union Mutual Life Insurance Company decided not to renew its contract as the Medicare Part B carrier for Maine. The company decided to concentrate its efforts and resources on private business. Its decision not to renew the contract and the relatively small volume for Maine was an ideal opportunity to test the

competitive fixed-price concept in Medicare under the experimental provisions of section 222 of P.L. 92-603.

Through competitive selection, Blue Shield of Massachusetts (BSM) was chosen to replace Union Mutual. BSM will process medical insurance claims for a fixed-price from December 1977 through September 1980. The contract also holds BSM to performance guarantees and provides for contract termination in the event of substantially poor performance. This fixed-price contract is expected to provide information on the viability of the fixed-price concept in reducing administrative costs without adversely affecting the program's services.

#### **Nonrenewal of a Blue Cross Plan Subcontract**

The Medicare Bureau decided not to renew (effective October 1, 1977) the subcontract between the Blue Cross Association and the Illinois Hospital and Health Service, Inc. (IHHS). The decision was based upon continued poor performance by IHHS. This poor performance had been frequently pointed out to IHHS during annual evaluations. However, IHHS failed to achieve a level of sustained satisfactory performance warranting continued participation in the program. IHHS served five hospitals, two skilled nursing facilities and one home health agency in Illinois. As a result of the nonrenewal, the Aetna Life and Casualty Company was elected as the fiscal intermediary for four of the hospitals and the two skilled nursing facilities. The other hospital and the home health agency elected to continue to be served by the Blue Cross Association through other local Blue Cross Plans.

#### **Toll Free Telephone Service**

In September 1976 Medicare approved use of Toll Free Telephone Service to improve its beneficiary services. Aetna in Arizona and in Nevada implemented the toll free service. At year's end, toll free telephone service was available to Medicare beneficiaries in 11 complete carrier service areas: Arizona, Arkansas, Colorado, Connecticut, Nevada, North Dakota, South Carolina, West Virginia, the Dade and Monroe Counties service area of GH1 in Florida, the service area of Blue Shield of California, and the Kitsap County Bureau of Wash-

ington. Other toll free operations were under consideration.

### **Prevailing Charge Summary Data for 50**

#### **Common Part B Procedures**

A Medicare Directory of Prevailing Charges for the fee screen year 1977 (July 1976–June 1977) was published for 50 high-volume Medicare procedures. This national survey contains physician data for each of the 275 localities used nationally to establish Medicare charges. Medicare supplied the data to interested components for analysis of physician pricing practices. The data generated considerable media attention.

#### **Health Maintenance Organizations (HMOs)**

Under the 1972 amendments, the Medicare program was authorized to enter into contracts with qualified HMOs and reimburse them through a single monthly capitation payment for all covered services, both Parts A and B, furnished to their beneficiary enrollees. Previously, organizations which qualified as group practice prepayment plans could be reimbursed under Medicare on a capitation basis only for the costs of providing physicians' and related services under Part B. Medicare had entered into agreements with 11 HMOs by the end of FY 1977. Increased HEW emphasis and financial support for the HMO delivery mechanism was expected to result in greater HMO availability during the next few years.

#### **Professional Standards Review Organizations (PSROs)**

The 1972 amendments provided for the formation of local physician organizations called PSROs to review the medical necessity and appropriateness of institutional health care services provided under Medicare, Medicaid, and the Maternal and Child Health Programs. Implementation of conditional PSRO review activity in Medicare short-stay hospitals continued during 1977. Of the 6,113 short-stay hospitals certified for Medicare, 2,340 or 38.3 percent were under PSRO review as of June 30, 1977. Of 203 projected PSROs, 101 were reviewing cases at that time, primarily in short-stay hospitals, and 68 were in the planning stage. In addition, 106 skilled nursing

facilities in the Denver, San Francisco, and Seattle regions were also under PSRO review.

P.L. 94-182 provided for reimbursement from the Medicare trust funds to conduct utilization reviews in hospitals by a PSRO or by a hospital to which a PSRO has delegated such activities. During 1977, the Medicare Bureau and the Health Standards Quality Bureau jointly developed instructions to implement this provision. Medicare issued the implementing instructions to hospitals and intermediaries in April 1977.

Medicare also issued national guidelines to intermediaries in January 1977 for use in postpayment monitoring of conditional PSRO determinations of medical necessity and appropriateness of care. This postpayment review will be used both in the overall assessment of PSRO performance by HEW and to provide feedback on the progress of each conditional PSRO to the Health Standards and Quality Bureau.

#### **Reimbursement for Malpractice and Comprehensive General Liability Insurance and Self-Insurance Costs**

In April 1977, the Medicare Bureau published a Provider Reimbursement Manual revision modifying its reimbursement requirements to be compatible with alternatives which providers considered economically preferable to obtaining commercial malpractice and comprehensive general liability insurance coverage. If providers now meet certain requirements, the program will reimburse them for Medicare's appropriate share of the net reasonable cost incurred for the following: premiums paid for a commercial insurance policy, premiums paid to a limited purpose insurance company, payments made into a self-insurance fund, or payments arising out of reasonable deductible and coinsurance provisions of a commercial or limited purpose insurance contract. This revision was effective with payments made on and after April 1, 1977. However, where providers meet certain conditions, payments made January 1975 through March 1977 would be allowable.

#### **Limits on Hospital Routine Costs**

Section 1861(v) of the Social Security Act provides authority to establish prospective limits

on provider costs. The initial limits were established on hospital inpatient routine service costs effective with cost reporting periods beginning on or after July 1, 1974, and have been revised each July 1 thereafter. The revised limits effective in 1977 should result in Medicare savings of \$115 million. During this period, about 100 requests for exceptions to the limits were received. Of those, about 80 percent were approved in whole or in part.

#### **Salary Related Reimbursement of Therapy Services**

Section 1861(v) of the Act also requires Medicare to establish criteria for determining the reasonable cost of physical, occupational, speech, and other therapy services, or services of other health-related personnel (other than physicians) furnished under arrangements with providers of services, clinics, rehabilitation agencies, and public health agencies. The law specifies that the reasonable cost of the services furnished under arrangements shall not exceed an amount equal to the salary and fringe benefits that would have been payable by the provider had the services been performed by a provider employee, plus an allowance for other necessary expenses.

On February 7, 1975, Medicare published final regulations to implement this provision and a Schedule of Guidelines for Physical Therapy Services Furnished Under Arrangements. On August 3, 1977, the Medicare Bureau published an updated schedule of physical

therapy guidelines, using the same methodology as the previous guidelines, but based on data from the Bureau of Labor Statistics. The Medicare Bureau's initial guidelines were limited to physical therapy, the most common therapy service provided under arrangements. During 1977 proposed guidelines for respiratory therapy, the next most common therapy service, were issued for comment to professional organizations. These guidelines should be issued in final form in 1978.

#### **Maximum Allowable Cost for Drugs (MAC) Program**

On August 15, 1975, Medicare published final regulations to implement the HEW policy limiting reimbursement or payment for certain multiple-source drugs to a MAC set by a Pharmaceutical Reimbursement Board, within HEW. (The Medicare Bureau is represented on this Board.) This MAC limit will be based on the lowest price at which the drug is widely and consistently available to pharmacies from any formulator or labeler. Regulations provide that the allowable cost for these multiple-source drugs may not exceed the lowest of the following: the actual cost, the amount which would be paid by a prudent and cost-conscious buyer for the drug if obtained from the lowest priced source that is widely and consistently available (whether sold by generic or trade name), or the MAC limit. The first products to have MAC limits established, effective June 27, 1977, are ampicillin 250 mg. and 500 mg. capsules.

# SUPPLEMENTAL SECURITY INCOME PROGRAM

## Fiscal Year 1977

Initial Claims (Thousands) <sup>1</sup>			Change Since FY76	% of Total
<b>Applications Filed</b>				
Aged		260.6	- 6.6%	20%
Blind/Disabled		1,032.5	- 2.6%	80%
Total		1,293.1	- 3.4%	100%
<b>Cleared <sup>2</sup></b>				
	<i>Aged</i>	<i>% Allowed/ Denied</i>	<i>Blind/ Disabled</i>	<i>% Allowed/ Denied</i>
Allowed	188.0	81.4%	367.0	44.9%
Denied	43.1	18.6%	450.5	55.1%
Total	231.1	100.0%	817.5	100.0%
<b>End-of-Year Pendings</b>				
Thousands <sup>3</sup>	<i>Aged</i>	<i>% of Total Pending</i>	<i>Blind/ Disabled</i>	<i>Pending % of Total</i>
SSA Field Offices	24.9		190.6	
State Agencies	—		99.5	
SSA Central Office	11.2		135.3	
Total	24.9	12%	190.6	88%

<sup>1</sup> Includes concurrent Title II/Title XVI claims.

<sup>2</sup> Data derived from the SSI "counts" file which counts a case *only* if it is the first time the case has been input into the system and excludes prior filings (including claims filed after denials), etc. Initial SSI claims cleared as reported by SSA field offices are 266,000 aged claims and 1,028,000 blind/disabled claims.

<sup>3</sup> Effective July 1, 1976, SSI cases counted as pending in the SSA field offices until the case was fully processed through award or denial. Thus, pendings at individual work locations are not additive. Total pendings equal cases pending in the field offices. A case may, however, be pending simultaneously in SSA central office and/or in the State agency.

**SUPPLEMENTAL SECURITY INCOME PROGRAM**  
**Fiscal Year 1977**

**Posteligibility and Appellate Workloads (Thousands) <sup>1</sup>**

	<i>Processed</i>	<i>End-of-Year Pendings</i>	<i>Change in Pendings Since FY 76</i>
Redeterminations <sup>2</sup>	5,834.5	405.8	- 54.5%
Reconsiderations:			
SSA Field Offices	228	32	
State Agencies <sup>3</sup>	163	16	
Hearings:			
Affirmations	33.7	41.3	+ 17.7%
Reversals	38.4		
Appeals	20.5	2.1	- 41.1%

**Beneficiaries (Thousands)**

Receiving Payments as of 9/30/77	<i>Aged</i>	<i>Blind/ Disabled</i>	<i>Total</i>	<i>Change Since FY 76</i>
Newly Eligible	968.5	1,222.3	2,048.7	+ 4.8%
Converted	1,106.4	942.3	2,190.8	- 6.9%
Total	2,074.9	2,164.6	4,239.5	- 1.6%

**Benefit Payments During**

FY 1977 (Millions)

Federal Payments				
State Supplementation	\$1,741.2	\$2,894.3	\$4,635.5	+ 4.5%
(Federally Administered)	552.3	863.8	1,416.1	+ 1.3%
Total	\$2,293.5	\$3,758.1	\$6,051.6	+ 3.7%

<sup>1</sup> Includes concurrent Title II/Title XVI claims.

<sup>2</sup> Both scheduled and unscheduled redeterminations.

<sup>3</sup> State Agency data is a subset of field office data. Effective July 1, 1976, field offices count these workloads until final clearance through the State Agency.

<sup>4</sup> Due to the change in the method of counting, change in pending cannot be computed between FY 1976 and FY 1977.

## SUPPLEMENTAL SECURITY INCOME PROGRAM

The supplemental security income (SSI) program for the needy aged, blind, and disabled, title XVI of the Social Security Act, was established by the Social Security Amendments of 1972, P.L. 92-603. Beginning January 1974, SSI, in combination with State supplementary benefit programs, replaced the former Federal/State cash assistance programs for the above groups in the 50 States and the District of Columbia.

The major considerations for placing the administration of the SSI program with SSA were the overlap in clientele between the SSI and social insurance programs (53 percent of all SSI recipients also receive title II benefits—70 percent of aged SSI recipients) and existing SSA capability that could be expanded to perform the operating functions of the new program. SSA possessed a nationwide network of public contact offices and a large-scale data processing and recordkeeping operation.

Despite the similarities in the way SSA administers SSI and the RSDI programs, there are two significant differences. SSI was the first program administered by SSA in which all non-disability eligibility decisions are made in the local field offices and the Federal Government dispenses large sums of State funds in State supplementation payments. The first of these significant differences meant that local SSA offices needed more rapid access to information contained in central data files. Major changes in SSA computer and communications systems were required to provide fast data retrieval capabilities. The second difference required development of a comprehensive and unique quality assurance program to identify errors and their causes quickly. During September 1977, 4.2 million people received SSI payments—a decrease of 1.6 percent from June 1976. Of these, just over half were blind or dis-

abled. Aged recipients declined by 7.5 percent from 1976, while blind or disabled recipients increased by 4.9 percent. The average Federal monthly payment was \$107, up 24 percent from 1976. The Federal payment plus State supplement averaged \$137 a month, up 15 percent from 1976. In FY 1977 Federal SSI payments totaled \$4,635.5 million (up \$198 million over 1976), and State supplementation totaled \$1,416 million (up \$18 million from 1976).

There was a 33 percent increase during 1977 in the number of SSI reconsiderations received in SSA field offices—240,000 compared with 180,000 in 1976. About 32,000 reconsiderations were pending in the field offices in September 1977 (a comparison with the 1976 pending figure of 6,000 cannot be made because of a significant change in reporting definitions and procedures). State agencies increased their reconsideration pending loads from 14,500 in June 1976 to 16,200 in September 1977. New SSI claims dropped 3.4 percent during 1977. Aged claims fell by 6.6 percent to 260,600 and disabled/blind claims fell by 2.6 percent to 1,032,500.

### Appellate Workloads

SSI hearings and appeals continued to rise during the year, with a 36 percent rise in hearings receipts from 66,100 cases in 1976 to about 90,000 cases in 1977.

Although over 83,200 hearings were cleared during the year, pending cases rose by 6,300 cases or 18 percent from June 1976 to September 1977 (decreasing from 35,000 in June 1976 to 34,500 in September 1976, but then increasing to 41,300 in September 1977). Appeals receipts rose from about 12,400 in 1976 to 20,000 in 1977. About 2,100 appeals were pending in September 1977.

## State Supplementation

Beginning July 1976, SSA was administering mandatory and optional supplementation programs for 16 States and the District of Columbia, and mandatory supplementation programs for 12 States. However, Indiana and Wyoming switched from Federal to State administration of their supplementation programs effective October 1976. SSA continued to make Medicaid eligibility determinations for 28 States and the District of Columbia.

Implementation of new legislation requiring States to pass along SSI benefit increases to State supplement recipients involved significant activity for SSA. Under P.L. 94-585, enacted October 21, 1976, States are generally required to maintain their supplementary payments at levels not lower than those in effect in December 1976. The intent is to insure that when SSI benefits are increased, recipients receive the increase. Previously, States could reduce their supplements when SSI benefits were increased, leaving the recipient with the same total payments. However, States need not pass along SSI benefit increases if they so elect *and* if they maintain their total expenditures for supplementary payments from one year to the next.

Thirty-two States elected to pass along the July 1977 SSI increase, and 17 States chose to maintain their overall expenditures. Texas and Arizona had no supplementation programs for which the provision would be effective.

SSA completed implementation of late (1976) pass-along decisions for California, Maine, Michigan, and New York by October 1, 1976. These actions were late due to pending State legislative decisions. California, Maine, and Michigan made their increases retroactive to July 1, 1976, whereas New York did not provide for retroactivity.

Recognizing that the "hold-harmless" States\* would incur additional cost in passing along SSI increases unless the hold-harmless formula was adjusted, Congress included a formula so that these States could pass along the Federal increases without added cost. This

provision was implemented in the Federal/State fiscal accounting process.

Plans to monitor State compliance with the provisions of P.L. 94-585 also presented problems. SSA must review State payment levels and levels of expenditures not only in those States with which SSA has agreements for Federal administration of the State supplements, but also in those States which administer their own supplements.

The "pass-along" provision was also responsible for curtailing efforts to simplify State optional supplementation variations. During 1977, SSA developed several proposals which would have brought optional supplements in line with Federal living arrangements. The HEW General Counsel held that the desired changes could no longer be made by regulation as a result of P.L. 94-585.

While mandatory supplementation continued to be a problem, affected recipients declined from 170,000 in July 1976 to 90,000 in September 1977. The reduction was due to two SSI benefit increases, normal attrition of about 2 percent a month, and increases in optional supplemental payment levels. Indiana and Wyoming switched from Federal to State administration of their mandatory supplements effective October 1976, due to decreased workloads.

P.L. 94-566 made it necessary for SSA to contact each State to see that community residences serving no more than 16 residents are identified, if the State plans on paying any monthly supplement, and the amount. Food stamps for SSI beneficiaries was not a major issue during the year. SSI beneficiaries continued to be eligible to participate in the food stamp program in all States except California and Massachusetts.

The contract with the American Public Welfare Association was modified to reduce expenditures by one-half. Project employees were cut to two, working half time. This contract terminated on September 30, 1977.

In December 1975, SSA agreed with the Social and Rehabilitation Service (SRS) to make payments to Indochinese refugees eligible for SSI benefits in federally administered States with reimbursement by SRS. This protects those States from expenses over and above the

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\* Basically, the hold-harmless provision protects States which supplement against an increase in the cost of supplementation above their 1972 welfare expenditure

basic SSI Federal benefit. Expenditures for these cases increased steadily. From July 1976 through June 1977, \$994,422.19 was spent. There were 888 recipients in June 1977, with California accounting for about 64 percent of the total.

Redevelopment and renegotiations of Federal-State agreements continued in 1977. A major development involved the implementation through newly developed agreements of the pass-along provision of P.L. 94-585. Because of refinements in the interim assistance program, the need for a revised agreement incorporating and consolidating these refinements became evident. A preliminary draft of the revised agreement was prepared in September 1977. Under the interim assistance program, States are provided a means of recovering temporary assistance furnished to recipients during initial claims processing by SSA.

P.L. 94-365, enacted July 14, 1976, made permanent the authority of HEW to reimburse the contracting States for interim assistance payments made by the States to SSI recipients. Interim assistance reimbursements (IARs) have been made to the States under this authority since December 1974 and totalled over \$55 million through July 1977.

During 1977 States contracting for State/county interim assistance reimbursement increased from 24 to 28 States and the District of Columbia. The new States contracting for IAR were: Hawaii, Maine, New Hampshire, and Nebraska. In addition, the SSI system was modified to accommodate IAR to Michigan which had entered into an IAR contract before the beginning of 1977.

#### **Fiscal Accounting Between SSA and the States**

Determination of adjusted payment levels (APLs) and the non-Federal share of expenditures for 1972 continued to be major issues during 1977. Adjusted payment levels are the average assistance payments made to individuals for January 1972 who had no other income and lived alone. The non-Federal share of expenditures are those related to assistance payments to all individuals for calendar year 1972. These two items are the yardsticks used in determining Federal and State liabilities for

supplementary payments. During 1977 SSA reached agreement with Wisconsin on doing a sample resurvey for 1974. Also, negotiations with California in 1977 resulted in agreement that a resurvey to establish APLs for 1975 and 1976 was needed. At year's end the non-Federal share of expenditures for 1972, the APLs for California for all years, the APLs for New York for fiscal 1975 and 1976, and the APLs for Massachusetts for all years were still unresolved. Resolution is expected in 1978.

The Financial Accountability Statement for the State Supplementary Payments Program (Form SSA-8700) summarizes the supplementation payments to SSI recipients on behalf of a State contracting for federally administered supplementation, any credit thereon. This report reflects all transactions in the month/year of the report and is compiled at the close of each month/fiscal year.

In response to the States' request for a file with the detailed case identification which goes into the form summary, SSA developed the Financial Accounting Exchange (FAX). It provides a case accounting system capability. Plans are to furnish the States with case identification for all summary items on the form but it must be accomplished in phases. Beginning October 1976, the first phase was implemented. It provides case identification for all automated payments and represents over 95 percent of all financial activity on the form.

Final settlement of Federal/State liability for federally administered States continued to be a major effort in 1977. Considerable progress was made in resolving outstanding issues related to Federal fiscal liability (FFL). Two proposals for the settlement of FY 1974 liability based on the HEW audits were submitted to the APWA/SSA liaison committee. The committee discussed the proposals with the States affected but could not reach a consensus on one of the two proposals. Thus, SSA decided to offer each of the 31 States involved the choice of either of the proposals. Through these steps 20 of the States reached agreement with SSA and the remaining 11 were at various stages of negotiation with SSA at year's end. Final resolution with those 11 States is expected in 1978.

FFL amounts were also credited to the States, through the quality assurance-based FFL system, for the two 6-month periods comprising calendar year 1975. Regular computations of such liability and crediting of that liability to the States for each subsequent 6-month period will be made on a regular basis. The one unresolved period was July-December 1974. SSA gave the States until September 1977 to submit the individual case errors that they discovered for that period. Cases submitted to SSA were then to be verified as to amount and cause of error, and fiscal liability for the 6-month period will be assessed on that basis.

The Allen Amendment, a part of H.R. 9346, gave SSA authority to reimburse States that elected to administer their own supplements in 1974 for errors that SSA may have caused them to make in the start-up months of the program.

### **Medicaid**

During the year, SSA negotiated a contract for Federal determinations of Medicaid eligibility with Michigan, effective September 1976, and with Washington, effective July 1977. A contract was negotiated with Ohio effective July 1977. However, Ohio was under a temporary restraining order issued by the Franklin County Court of Common Pleas enjoining the Ohio Department of Public Welfare from implementing Federal Medicaid eligibility determinations. As a result, the SSA contract with Ohio was voided. Excluding Ohio, SSA makes determinations of Medicaid eligibility in 28 States and the District of Columbia.

Although Arizona had been considering the implementation of a statewide Medicaid program with Federal determinations of Medicaid eligibility for the aged, blind, and disabled since 1974, internal disagreements between the counties and the State concerning funding of the program postponed implementation. Therefore, it was uncertain when or whether Arizona would sign an agreement for Federal Medicaid determinations.

In October 1976, SSA began using individualized closing phrases on Medicaid referral paragraphs contained in SSI award and denial notices. The change let the States indicate the State agency to which the individual should

direct questions about Medicaid. This change was made to better serve the individual and to relieve SSA field offices of certain referral duties.

### **SSI Litigation**

From July 1976 through September 1977, 36 class action suits were filed in the Federal courts relating to SSI. The types of suits involved mainly processing delays (especially hearings delays), policy on one-third reduction of benefits, nonreceipt of checks, and eligibility outside the United States.

The eight suits filed in 1977 involving processing delays brought the total cases in this group to 25 since the beginning of the SSI program. The thrust of complaints in these cases was that SSA's processing of initial claims, reconsideration, and/or administrative appeals is unreasonably slow. The agency made a noticeable improvement in processing initial SSI claims and reconsiderations and in FY1977 there was only one case in this area. Most of the suits in 1977 concerned hearing delays.

In July 1976, a court order was issued ordering SSA to hold timely administrative hearings in SSI cases. In February 1977, another court issued a similar order which required payments to the claimant until a hearing has been held and a decision rendered if the time limits are not met. Along with three other court orders concerning title II cases, this placed considerable strain on SSA's resources to hold hearings timely. It was expected that similar court decisions would follow.

Several suits were filed alleging that SSA's regulations and manual instructions exceed statutory authority when claimants' benefits are reduced by one-third if they are receiving support and maintenance from others. Some of these cases also allege that the manual instructions constitute rulemaking under the provisions of the Administrative Procedure Act (APA) and as such must be published under APA procedures.

The National Federation of the Blind filed a suit in September 1976 challenging whether SSA is following its published regulations that provide for the use of State countable income in determining mandatory State supplements. The suit alleges that the use of Fed-

eral countable income disadvantages an indeterminate number of recipients. On September 1, 1977, the Commissioner of Social Security approved the use of State countable income where advantageous to recipients on the rolls on June 30, 1977.

Four suits were filed concerning the right of claimants to SSI benefits even though they have traveled outside the 50 States and the District of Columbia for more than 30 consecutive days. Three of these suits concerned claimants going to Puerto Rico. (Legislation was introduced in Congress to extend the SSI program to Puerto Rico.) In two cases adverse decisions were rendered by the courts; SSA recommended appeal and that a stay of judgment be obtained. The courts ruled that the statutory provision requiring cessation of payments to an entitled SSI beneficiary while outside the United States is an unconstitutional restriction on a citizen's right to travel.

Five suits were filed to compel SSA to replace lost, stolen, or missing SSI payments within a reasonable period. These suits generally sought an order requiring SSA to pay the outstanding benefits immediately, to replace the existing method of replacing checks with another method of immediate replacement at the district office level, and to submit a revised plan to accomplish this check replacement with the courts. SSA worked out procedures with Treasury to accelerate the issuance of substitute SSI checks and had already begun to implement them.

#### **Interface With Other Government Agencies**

A GAO audit of the SSI program identified a high percentage of SSI overpayments resulting from the nonreporting of Veterans Administration (VA) and Railroad Retirement Board (RRB) benefit payment increases. GAO had also identified a more serious overpayment problem resulting from the total absence of VA and RRB payment information on SSI records from individuals who receive such income. During 1977, SSA negotiated and implemented systems interface with the VA and RRB to apply their payments to SSI records. Negotiations were also conducted with the CSC and other benefit-paying agencies. The results were as follows:

- **VA Interface**

Five interfaces with the VA occurred. The first was a reconciliation between the VA Compensation and Pension Master File and the Supplemental Security Record (SSR) in September 1976. As a result, 57,793 SSI recipients had their payments reduced by \$3,105,395 monthly. The other four interfaces (two of which coincided with increases in VA compensation and VA pensions) occurred between November 1976 and September 1977. The VA interfaces reduced cumulative monthly SSI payments by \$61 million a year.

- **RRB Interface**

The RRB/SSI interface was implemented in several phases. The first was to add to the Supplemental Security Record (SSR) all RRB numbers on SSA's Master Beneficiary Record. This began in December 1976 and continued monthly. The second phase was a reconciliation between the RRB file and the SSR in January 1977. As a result, 4,992 SSI recipients had their payments reduced by \$174,929 monthly, while 3,575 SSI recipients were found not to have RRB income previously reported. The third phase, coinciding with a cost-of-living raise to RRB recipients, reduced payments to 7,066 SSI recipients for a monthly savings of \$168,309 (while 2,894 SSI recipients who did not have RRB income previously reported were identified). The RRB interfaces reduced cumulative SSI payments by \$4 million annually.

Manual development of RRB payments in retroactive periods is continuing in central office, and completed cases are being forwarded to SSA field offices with instructions for processing. Procedures were implemented September 1977 for field offices to obtain RRB payment data for retroactive periods from SSA central office.

- **CSC Interface**

The CSC interface is expected early in 1978, with planning and ongoing discussions with that agency underway. A new, unique unearned income code has been developed to identify SSI recipients of CSC annuities.

- **Department of Labor (DOL)—Part C Black Lung**

An interface to reconcile black lung payments made by DOL is scheduled for implementation in January 1978.

- **United States Military Services**

Discussions began with the Department of Defense (DOD) to implement interface with the military retirement systems (Air Force, Army, Coast Guard, Marine Corps, and Navy). The interface will be implemented in phases. The first phase will involve SSA processing of a central military payment file to identify SSI individuals for posting military income to the SSR. Then statistical data will be collected for future interface. The first phase will be implemented before the end of 1978.

- **State Program Interfaces**

SSA began work on plans for interface with State programs, including unemployment compensation insurance, State and local pensions, workmen's compensation, and public assistance. It is expected that the initial interfaces with State programs will consist of procedures for States to match their State Data Exchange files against their program payment files and provide data on matched records to SSA for appropriate action. The Boston Regional Office provided data on a project initiated in Massachusetts to match the State Master Recipient file against their unemployment compensation file. During this process, listings are sent to SSA field offices for resolution of discrepancies. As a preliminary step, SSA was working on revisions to the Massachusetts project prior to interface with other State files.

In addition, SSA identified potential interfaces with other public and private agencies. As time and resources permit, SSA expected to develop and implement them.

### **SSI Payment Process**

From the beginning of the SSI program in 1974, the Treasury Department Regional Disbursing Center (RDC) in Chicago was the processing center for the daily and supplemental SSI payments. These payment files

(which usually average 200,000 payments a month) were produced and transmitted to SSA's Great Lakes Program Service Center in Chicago, which in turn delivered the files to the RDC. The payment certifications, however, were routed through the Birmingham RDC because of the unique nature of the accounting purposes within Treasury. SSA and Treasury agreed in July 1977 on a change in the arrangement.

Beginning in mid-August 1977, the SSI system began transmitting daily and supplemental payment files directly to the Birmingham RDC. This arrangement was made possible through the placement of a magnetic tape terminal within the Treasury office. The exchange of data insured better communication between SSA and Treasury.

### **Program Integrity**

During the year SSA reorganized its SSI program integrity (PI) function. The program integrity field staffs were put under the jurisdiction of its regional commissioners, instead of its program review officers. SSA opened a new office in the Dallas region, thus establishing a PI field staff in each SSA region except Denver. Cases from that region were handled by the San Francisco office. The agency continued toward its goal of SSI fraud deterrence by actively detecting, investigating, and referring cases for possible prosecution. Prosecutions received radio, TV, and newspaper publicity, which produced maximum deterrent effect.

PI field staff referrals during FY 1977 resulted in 140 convictions, with 60 others under indictment or awaiting trial. The three-fold increase in convictions for the year was due to continued in-person presentation of cases to U.S. attorneys, and increased U.S. attorney receptiveness of these cases. PI field staffs were instrumental in recovering about \$1,687,000 in overpayments, which would not have been recoverable if the fraud issue had not been investigated.

#### **SSI Program Integrity**

	<b>1975</b>	<b>1976</b>	<b>1977</b>
Total Cases Reported	5,300	5,200	7,279
Pending at Year's End	2,200	3,200	3,565
Convictions	5	35	122
Prosecution Recommended	39	217	540

PI staff examined about 15,000 cases involving Florida SSI recipients who had earned and unearned income for 1975 and the first quarter of 1976. This study aimed at detecting problems and seeking corrective action where the recipient failed to report income which affected his SSI benefit. The staff expected to identify several hundred cases.

To save agency resources, SSA proposed to the Department of Justice new criteria for closing social security fraud cases. An agreement was reached which made it permissible, though not mandatory, to close cases that contained certain characteristics.

#### Quality of Claims and Payment Process

SSI case error rates in all three error categories (overpayments, ineligibles, and underpayments) showed a steady decline in 1977. The most common deficiency was still living arrangements. Other major payment error categories were savings accounts that exceeded the resource limitation, incorrect support and maintenance income, and incorrect wages. From July-December 1974 to April-September 1977, the overall case error rate declined 46 percent, with the largest decrease occurring in the overpayment case error rate. Case error rates in payment to ineligibles and the underpayment category also decreased considerably. During the same period, payment error rates also declined dramatically, by 52 percent, to 5.2 percent in April-September 1977.

### SSI CASE ERROR RATES

	<i>Jul.-Dec. 1974</i>	<i>Jul.-Dec. 1975</i>	<i>Jan.-June 1976</i>	<i>Jul.-Dec. 1976</i>	<i>Oct. '76 Mar. '77</i>	<i>Apr.-Sept. 1977</i>	<i>Percent Decrease Since Jul.-Dec. 1974</i>
Overpayments*	13.3%	9.9%	7.7%	6.4%	5.9%	5.2%	- 60.9%
Ineligibles	6.1	8.1	6.5	5.1	4.9	3.9	- 36.1
Underpayments*	5.4	6.1	4.9	4.2	4.1	4.3	- 20.4
Total	24.8%	24.1%	19.1%	15.7%	14.9%	13.4%	- 46.0%

### SSI PAYMENT ERROR RATES

Overpayments*	5.8%	4.9%	3.4%	2.9%	2.8%	2.5%	- 56.9%
Ineligibles	5.1	6.0	4.8	4.0	3.5	2.7	- 47.1
Total	10.9%	10.9%	8.2%	6.9%	6.3%	5.2%	- 52.3%

\* \$5 or more

### Studies Of The Poor

A February 1977 *Social Security Bulletin* article summarized State supplementation activities under the SSI program for 1975. A few States changed from Federal to State administration of their mandatory supplementary programs while a few others initiated or expanded their optional supplementation programs. Several States also increased their supplements during the year.

The first of several reports on the SSA Survey of Low-Income Aged and Disabled also appeared in the February 1977 *Bulletin*. In-

itiated in 1973, this survey was designed to look at program participants and non-participants in a way that lends perspective and sociological value in evaluating various SSI program components. The survey also evaluates how well SSI does what it was proposed to do, i.e., transfer public funds to large groups of low-income persons and consequently provide them with the capacity to adopt an improved lifestyle. SSI program data, including both Federal benefits and federally administered State supplementary payments, were published each month and quarter.

## **DRUG ADDICT AND ALCOHOLIC PROVISIONS OF SSI**

Under the statute which established the SSI program, special provisions apply to disabled SSI recipients medically determined to be drug addicts or alcoholics. The purpose of these provisions is to assure that every possible inducement is offered for disabled recipients who need treatment to accept it, and also to minimize the chance that SSI benefits will be misused.

These provisions apply only to those drug addicts or alcoholics (1) who had received benefits under a State program of Aid to the Permanently and Totally Disabled and were converted to SSI on January 1, 1974, and have continued to meet the requirements of that plan; or (2) who are in need and are disabled as defined in title XVI of the Social Security Act and whose drug addiction or alcoholism materially contributes to the finding that they are disabled. These provisions do not apply to individuals who meet the definition of disability irrespective of any addiction they may have to drugs or alcohol, nor to those who are not disabled within the meaning of the law.

The statute requires (1) that SSI eligibles with drug addiction or alcoholism as the basis for their disability shall accept appropriate treatment, if available; and (2) that provision shall be made to pay SSI benefits to this group only through representative payees; and (3) that compliance with these conditions shall be monitored.

### **Program Administration**

As of October 1977, the SSI program was providing benefits to 6,048 drug addicts and alcoholics. Only four States had more than 100 who were eligible for SSI. New York had the largest population, followed by California, Maryland, and Pennsylvania. In these States some recipients qualified under State programs before SSI began. State criteria, in some cases, were significantly different from the SSI eligi-

bility criteria now in effect. New York State, for example, provided benefits to drug addicts without representative payees.

The number of drug addicts receiving SSI has always been almost twice the number of alcoholics. Studies by SSA show that the drug addicts and alcoholics on the SSI rolls are three-quarters male, and that they have a mortality rate higher than comparable groups in the national population. The median age for drug addicts receiving SSI was 32, and for alcoholics 46.

### **Representative Payees**

The effort to locate suitable representative payees for recipients who became eligible after January 1974, has been a success. Roughly, 6 out of 7 recipients in this group have a payee. Greater difficulty has been encountered in locating suitable payees for the larger group of converted recipients. In most cases, these individuals received benefits under State plans which did not require a representative payee. Because of these significant difficulties a considerable number of these needy individuals have been paid directly while efforts continue to locate payees. In this way, otherwise eligible individuals have not been deprived of essential assistance.

### **Treatment and Monitoring**

The treatment and monitoring provisions of the law are jointly administered by HEW and the States. According to the most recent data, 6 out of every 7 of these individuals were reported by the States to be in treatment programs. In most States, vocational rehabilitation (VR) agencies have agreements with the Rehabilitation Services Administration to carry out program responsibilities regarding referral for treatment and monitoring compliance in such programs. However, during the past year, 5 VR agencies with formal agreements and

with significant workloads have terminated or requested termination of their agreements with RSA. Pennsylvania terminated because the State had no funds for treatment of the drug addict and alcoholic (DA&A) population in the State. SSA successfully renegotiated two of the terminated VR contracts with other State or private agencies and SSA regional staff monitored the remaining States' workload.

New York, California, Maryland, and Pennsylvania have over 90 percent of the SSI DA&A caseload. Only in New York State is the VR agency involved and here only with the caseload outside New York City. The bulk of the State's DA&A caseload is concentrated in New York City which maintains a city agency to provide monitoring and referral for treatment under a separate contract with SSA. In

California, the alcoholics are monitored by a State agency while the drug addicts are monitored by a private group under contract with SSA. In Maryland the responsibility for monitoring and referral of DA&A's rests with the State agency concerned with public health programs.

The following table shows the general downward trend in the SSI DA&A caseload. It also shows a shift in the distribution of claims, with small increases in new claims and larger reductions in recipients converted to SSI, especially among the drug addict population. The converted population was being reduced as individuals cease to be eligible under State conversion criteria and do not meet Federal eligibility criteria.

**DRUG ADDICT AND ALCOHOLIC SSI CASELOAD  
FOR SELECTED MONTHS, 1976 and 1977**

			MONTH					
TOTAL RECIPIENTS			6/76	12/76	3/77	6/77	9/77	10/77
			9,260	8,790	7,717	6,826	6,137	6,048
<b>DRUG ADDICTS</b>	New Claims	With Payee	162	185	160	161	134	132
		Without Payee	29	29	27	22	22	23
	Converted Claims	With Payee	3,147	3,025	2,559	2,140	1,843	1,802
		Without Payee	3,378	3,116	2,553	1,997	1,591	1,548
	Total	With Payee	3,309	3,210	2,719	2,301	1,977	1,934
		Without Payee	3,407	3,145	2,580	2,019	1,613	1,571
<b>ALCOHOLICS</b>	New Claims	With Payee	208	304	460	526	579	586
		Without Payee	56	75	70	81	89	93
	Converted Claims	With Payee	949	893	861	897	888	882
		Without Payee	1,189	1,088	875	756	702	678
	Total	With Payee	1,229	1,197	1,321	1,423	1,467	1,468
		Without Payee	1,245	1,163	945	837	791	771
<b>BOTH ALCOHOLICS AND DRUG ADDICTS</b>	New Claims	With Payee	7	12	29	36	44	46
		Without Payee	9	7	6	6	6	6
	Converted Claims	With Payee	22	22	48	94	118	131
		Without Payee	32	34	69	110	121	121
	Total, All Categories	With Payee	4,567	4,441	4,117	3,854	3,606	3,579
		Without Payee	4,693	4,349	4,349	2,972	2,531	2,469

## FAMILY ASSISTANCE

### Public Assistance Statistics on Average Caseloads, Average Payments, and Total Payments for Fiscal Year 1977 and the Preceding 12-Month Period

**Table A. AVERAGE MONTHLY CASELOAD DATA**

	<i>October 1975– September 1976</i>	<i>FY 1977</i>	<i>Change from 1976</i>	
			<i>Number</i>	<i>Percentage</i>
<i>Total AFDC</i>				
Families	3,561,000	3,575,000	+ 14,000	+ 0.4
Recipients	11,336,000	11,110,000	– 226,000	– 2.0
Children	8,033,000	7,819,000	– 214,000	– 2.7
<i>Unemployed Father Segment of AFDC</i>				
Families	142,000	149,000	+ 7,000	+ 4.6
Recipients	624,000	659,000	+ 35,000	+ 5.6
Children	358,000	373,000	+ 15,000	+ 4.1
<i>Other AFDC</i>				
Families	3,419,000	3,426,000	+ 7,000	+ .2
Recipients	10,712,000	10,451,000	– 261,000	– 2.4
Children	7,675,000	7,446,000	– 229,000	– 3.0
<i>General Assistance</i>				
Cases	688,000	682,000	– 6,000	– .8
Persons	951,000	883,000	– 68,000	– 7.2
<i>Emergency Assistance</i>				
Family Cases	30,000	32,000	+ 2,000	+ 6.7

**Table B. TOTAL PUBLIC ASSISTANCE PAYMENTS**  
(in millions)

			<i>Amount</i>	<i>Percentage</i>
<i>Assistance Payments,</i>				
<i>Total</i>	\$11,219	\$11,438	+ \$219	+ 2.0
AFDC, total	9,939	10,131	+ 192	+ 1.9
Unemployed Father	562	617	+ 55	+ 9.8
Other	9,377	9,514	+ 137	+ 1.5
Emergency Assistance	60	64	+ 4	+ 7.4
General Assistance				
Cash Payments	1,220	1,243	+ 23	+ 1.9

**Table C. AVERAGE MONTHLY PAYMENTS**

AFDC—Per Family	\$232.63	\$236.13	+ \$3.50	+ 1.5
Per Recipient	73.07	75.99	+ 2.92	+ 4.0
General Assistance—				
Per Family	147.83	151.94	+ 4.11	+ 2.8
Per Person	106.87	117.36	+ 10.49	+ 9.8

## FAMILY ASSISTANCE

On March 8, 1977, under the HEW reorganization, the Social and Rehabilitation Service (SRS) was abolished and the Assistance Payments Administration (APA) was transferred from SRS to SSA. On June 19, 1977, APA was redesignated as the Office of Family Assistance (OFA).

The HEW reorganization brought together within SSA three major income maintenance systems—retirement, survivors, and disability insurance (RSDI), supplemental security income (SSI), and aid to families with dependent children (AFDC). These distinct and separate programs differ in purpose, method of financing, and methods of administration. Although these programs may differ, they sometimes serve people in the same household simultaneously. (For instance, about six percent of AFDC cases have some family members who receive SSI and not AFDC payments. Moreover, four percent of the AFDC families also receive RSDI.) Of the three, AFDC (title IV–A of the Social Security Act) most closely reflects the local policies of the 50 States and four other U.S. jurisdictions in both administration and payment levels.

### The AFDC Program

By the time the Social Security Act was passed in 1935, States had already begun social welfare programs clearly recognizing that care of children is best carried on in their own homes. Where families impoverished by the death of a father were unable to do this, income was provided through the payment of “mothers’ allowances.” Not all States provided such payments, and in most instances the amounts involved were very modest. The significance of such payments, however, was that they established a broad public policy of concern for the needs of children.

Under title IV–A of the Social Security Act, individual State and local efforts were set into

a new national format of federally supported State AFDC programs. Now, 42 years later, monthly AFDC payments are being made on behalf of one in every eight children under age 18 in the country. In general, AFDC provides for Federal grants to help defray State costs of providing financial assistance to families with needy children who are under age 18 (or at State option under 21 and attending school); living in the home of a parent or specified relative; or deprived of parental support or care because of the death, continued absence from the home, or physical or mental incapacity of a parent, or, if a State elects, the unemployment of a father.

States may—and two-thirds of them do—have other eligibility requirements if they do not conflict with, or are not prohibited by, the Social Security Act. Each State decides what “need” is and to what extent it is willing and able to meet that need.

The Act makes Federal funds available to all States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands for their AFDC programs. Under amendments to the Act in 1972, such funds continue to be available to Guam and to the Virgin Islands for programs of old-age assistance, aid to the blind, and aid to the permanently and totally disabled, and to Puerto Rico for its single category of aid to the aged, blind, or disabled. The same legislation repealed these three programs for the 50 States and the District of Columbia; in all 50 States and the District of Columbia, assistance to needy and eligible aged, blind, and disabled persons became available under the SSI program on January 1, 1974.

### Caseloads and Expenditure

The AFDC caseload for FY 1977 averaged nearly 3.6 million families, with 11.1 million total recipients (of whom 7.8 million were children). Expenditures for public assistance in

1977 amounted to \$11.4 billion. \$10.2 billion was for AFDC payments including both State payments not matchable by Federal funds and Emergency Assistance. \$1.2 billion was for the General Assistance program, the costs of which are not shared by the Federal Government. The Federal share of AFDC and Emergency Assistance was \$5.5 billion, up 4.5 percent over 1976 and 18.1 percent over 1975.

### **State Responsibility**

Each State initiates and develops its own AFDC program. The decision to provide AFDC rests with the State, which thereby commits itself to administer it within the context of Federal requirements. All 50 States and four other jurisdictions operate an AFDC program.

To receive Federal funds, a State must submit and have approved by the HEW Secretary a State plan describing the proposed system. The States have options in deciding how the programs are to be organized and administered, who is eligible for aid, and how much aid eligible persons shall receive. As long as it is complying with its approved plan, the State is eligible for Federal funds. The Federal Government is obligated to pay its share of the State expenditures. The Federal share of expenditures for each State has no ceiling, except for dollar limits set by law for Guam, Puerto Rico, and the Virgin Islands.

### **State Plans**

The basic AFDC program provides for a needy "caretaker" relative and children under age 18 who have been deprived of parental support or care by death, continued absence from the home, or physical or mental incapacity of a parent. In addition, States have certain options that extend eligibility. A State may provide assistance to a mother on behalf of an unborn child; children aged 18–21 who are attending school, college, or vocational training courses; or children in families where the father of at least one of the children is unemployed.

States may also elect to offer emergency assistance to needy families with children. Under this program, emergency assistance may be provided to intact families as well as to others in emergency situations defined by the

State. The aid is limited to one 30-day period within any 12 months. Unlike AFDC, in which the assistance is primarily provided through money payments, emergency assistance may be provided as a money payment, vendor payment, or assistance in kind. It is shared by the Federal Government at a flat 50 percent. Table 1 shows the extent to which the States use Federal options to extend coverage for AFDC.

A State plan for AFDC must include a standard of need expressed in money amounts to be used Statewide in the determination of eligibility. The standard includes those items the State recognizes as essential for a minimal level of living in that State. A State may include in its standard, items of special need or circumstance. A family with countable income sufficient to meet all these needs thus is not eligible for assistance. A family whose income does not meet these needs could be entitled to an assistance payment equal to the amount of the deficit.

In 26 jurisdictions, the system works that way for families of six or fewer persons. In the other 28 jurisdictions, the amount appropriated by the legislature is not sufficient to pay the full amount of the standard of need. The State AFDC agency therefore must adopt some form of proportionate sharing. Some States apply a percentage reduction to the standard of need and subtract income from the reduced standard. Other states subtract income from the full standard, obtaining a "budgetary deficit" figure, and pay a percentage of the deficit. Several States also have a statutory limit on the amount that may be paid to a family of a given size regardless of the cost of the standard of need for that size family. Table 2 shows the standards used in each State.

### **Federal Financing**

The basis for determining Federal grants to States is set forth in the law. The amount of the grant is based on a State's assistance expenditures and the costs of administration, including training. Federal financial participation in assistance payments under a State AFDC plan is based on one of two formulas specified in the Social Security Act.\* One is the Medicaid

\* Except for expenditure for emergency assistance in which Federal financial participation is 50 percent of a State's total emergency assistance expenditure.

formula and may be used by States with a medical assistance program under provisions of title XIX. The law permits its use for State claims for AFDC money. It provides Federal grants that fund from 50 percent to 83 percent of a State's total expenditures for maintenance payments and for medical assistance. Most States have elected this formula.

The other formula, known as the "regular" formula, has two parts. The first provides Federal funds representing five-sixths of the first \$18 of the average payment per recipient made by the State, multiplied by total recipients. The second part provides a specified Federal percentage (50–65 percent) of the next \$14 of the average payment, multiplied by recipients. This in effect places a maximum on the State expenditure that will be federally funded. No such maximum is reflected in the Medicaid formula. Table 3 lists Federal percentages and Federal medical assistance percentages in effect in each of the States for July 1975 through June 1977.

The Federal Government pays 50 percent of the States' administrative costs, other than training. It pays 75 percent of the costs of training State employees to administer public assistance programs.

### **The Office of Family Assistance**

The Office of Family Assistance (OFA) provides national leadership in developing and coordinating public assistance programs; and assures that SSA regional offices provide State program and management guidance, as well as technical assistance, in administering public assistance programs. These programs are AFDC, Aid to the Aged, Blind, and Disabled in Guam, Puerto Rico, and the Virgin Islands; the Cuban and Indochinese Refugee Programs; and the U.S. Repatriate Program. Through the regional offices, OFA guides the State agencies in the administration of their programs. OFA reviews and evaluates State performance, and directs financial management and cost analysis in the review and approval of State grant requests and expenditure estimates. Since regional offices are the immediate link with the States, OFA devoted considerable attention to regional operations, including establishment of

a regional liaison staff to maintain close communications with the regional offices.

### **Federal/State Relations**

OFA emphasized activities to improve Federal/State relations during the year. A dialogue continued with the Income Maintenance Subcommittee of the Council of State Administrators, American Public Welfare Association. The first meeting with the Subcommittee included headquarters staff and associate regional commissioners from each of the ten HEW regions. The meeting explored areas of mutual interest and concern.

The Council set up the Committee on Federal Reporting to improve Federal reports and clarify and simplify reporting requirements. The Committee identifies and resolves problems associated with Federal reports, recommends changes in reports, and reviews use of data generated. Membership consists of Council representatives as well as State and Federal financial, statistical, and research staff.

### **Public Participation**

In line with the HEW policy of opening up the rulemaking process to the public, four public hearings on a proposed change in regulations were held to let interested agencies and individuals express their views and make recommendations. The first two hearings, in July 1976 at Boston and in September 1976 at Pittsburgh, introduced face-to-face discussions to consider written comments on proposed rulemaking. State agencies, recipients, and advocacy and interest groups responded with valuable information and advice. Later meetings were held at Dallas and San Francisco with officials of State and local welfare agencies. HEW officials met with the American Public Welfare Association, and the OFA Associate Commissioner met in Boston, Dallas, and Seattle with State administrators and regional officials. The Seattle meeting included representatives of voluntary social service agencies and consumer representatives. An anticipated result of these meetings will be joint Federal-State-public development of methods and policies for improving AFDC program delivery and, at the same time, strengthening fiscal responsibility at all levels.

Periodic conferences with welfare advocate representatives were resumed to receive consumer/beneficiary reactions to HEW program and policy decisions. Notable among these is the National Welfare Rights Organization and its counsel—the Center on Social Welfare Policy and Law.

#### **Colorado Monthly Reporting Project**

During 1977, OFA staff devoted considerable time to reviewing the Colorado Monthly Reporting Experiment. This project, begun at the close of 1975, was designed to assess the possible use of a monthly reporting system for all AFDC cases. A demonstration grant was made to Colorado to design and conduct a two-segment test. The Denver segment would obtain data on the operation of the reporting system with respect to gross agency benefit payments and possible savings resulting from more responsive reports from recipients on earnings or changes affecting eligibility. The Boulder segment would develop and pilot-test administrative procedures and determine their costs. SSA was studying preliminary reports of the project in light of possible welfare reform.

#### **Energy Crisis Plans**

Due to the intense and prolonged cold spell during the winter of 1976–77, many poor families—including AFDC households—were unable to pay for home fuel and energy needs. OFA met with the Public Services Administration and the Administration on Aging in HEW, the Department of Agriculture's Cooperative Extension Service, and the Community Services Administration to help design delivery systems for emergency energy funds for States through congressional appropriation. Congress appropriated \$200 million for a special crisis intervention program in the spring of 1977 to be administered by the Community Services Administration. Funds were available to States for Statewide use. Eighty percent of the funds were obligated, with the rest directed into the weatherization program. (See page 72 on emergency assistance legislation.)

#### **AFDC Foster Care**

The GAO report to the Congress (February 22, 1977) on "Children in Foster Care Institu-

tions—Steps Government Can Take to Improve Their Care" highlighted many of the concerns stated in the HEW audits and regional reviews conducted in 1975 and 1976. OFA agrees that States' foster care programs should be closely assessed to assure compliance with Federal requirements.

The GAO report noted that a primary cause of these problems was the lack of specific Federal guidelines and criteria to which placing agencies can be held accountable. OFA is not in total agreement with the latter. Instead of revising Federal regulations, as recommended by GAO, OFA strongly encourages full implementation of current regulations through monitoring. OFA regional offices are responsible for monitoring States' foster care programs. Regional offices have had difficulty doing this and have requested added staff.

OFA completed a guide to regional and State agencies entitled "AFDC-Foster Care: Federal Reimbursable Cost Items for AFDC-FC Children in Private Non-Profit Child Care Institutions." This guide clarifies federally reimbursable cost items that may be included in the determination of payment rates for AFDC foster care children receiving care in private, non-profit child care institutions. It identifies which cost items are subject to Federal financial participation. (Effective date of this guide has been delayed.)

#### **Simplified State Plan for AFDC**

During 1977, OFA brought to fruition the long-awaited Simplified Plan for AFDC to be used by each State in submitting and amending its AFDC plan. The approved plan is the basis for Federal financial participation in the expenditures made by the State. The plan is a preprinted format keyed to Federal regulations. By submitting the plan or amended pages, the State formally acknowledges its commitment to these regulations. Attachments record details needed to evaluate a policy and whether it implements Federal regulations.

Before this, a State's plan consisted of its manual of operations and rules, regulations, or administrative issuances. Each had to be submitted by the State to OFA for approval. The logic of such format for any one State was usually good. However, it was difficult to find a

policy statement in the plans of all 54 jurisdictions because of their diversity. Now a given policy is located in the same place (section and subsection) for each State, with answers required for all options. The State can be aware of its commitments by a precise cross-reference to the pertinent section of the Code of Federal Regulations. Those who review and approve the plan can search more quickly and adequately than before and have a more reliable basis for comparisons among the States.

All but four States and the Virgin Islands adopted the new format and were operating under the Simplified State Plan. At year's end, these five jurisdictions were completing work on the new format with the help of regional OFA staff.

OFA completed an updated edition of its publication that carries information about all State plans for AFDC as of October 1, 1976. Each "single State agency" administering or supervising the administration of AFDC made revisions in the set of pages reporting its policies on eligibility determinations of need and the scope of its AFDC program. In addition, the 1976 edition has the names of the State agencies, the formulas for Federal financial participation, the dollar amounts of the standards of assistance for basic need items, the percentage reductions applied by many States in limiting payments to recipients, and the amounts a family with no income would be eligible to receive to meet basic needs. For Guam and the Virgin Islands the publication reports comparable data for Old-Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled; and for Puerto Rico the data for Aid to the Aged, Blind, or Disabled. These three jurisdictions continue to operate these categorical programs because SSI is not applicable to them.

Copies of the publication were sent to State welfare agencies, schools of social work in the U.S. and abroad, the Bureau of Indian Affairs and the larger of the Indian Tribal Councils, related Federal agencies, interested individuals and national organizations, and the Library of Congress.

### **General Assistance in the United States**

In August 1977, OFA began to prepare a new

edition of "Characteristics of General Assistance in the United States." The general assistance or general relief programs are systems of aid authorized by State statutes, administered by State or local subdivisions, and financed from State and/or local funds. Federal regulations or funds are not involved. Recipients usually are persons in immediate, temporary need of help or persons awaiting certification for other aid. Some States also provide continuing aid for persons who need help but who are not eligible for SSI or AFDC.

Earlier editions, published in 1960 and in 1970, provided the only nationwide report on program characteristics such as eligibility requirements, the extent of assistance available, and basic administrative responsibility. No statistical data were included because most States made voluntary reports to the SRS National Center for Social Statistics. The States were asked for current data and to expand such items as the use of work-relief projects for employable applicants seeking assistance. The new edition should be available by mid-1978.

### **Initial Eligibility Determination Process in the States**

OFA regional staffs completed reviews of the AFDC initial eligibility determination process in the States during 1977. Reports received covered the reviews in 47 States, the District of Columbia, and the Virgin Islands. These reviews were carried out in the State offices and in from one to four local offices in each State. OFA analyzed the reports (including survey documents, application forms, and flow charts) to understand State and local claims procedures and to identify areas in which technical assistance can be most productive. Examples of such areas are developing automated systems, simplifying and clarifying policy, improvement of policy and procedures manuals used by income maintenance workers, and improving staff training programs.

When talking about strengths and weaknesses in the initial eligibility determination process, one fact is salient—local agencies vary markedly both from State to State and within States. The following are major findings:

- 1) Local agencies greatly desire simpler and clearer Federal regulations.
- 2) In many agencies, workers receive inadequate training.
- 3) Application forms and pamphlets are often hard for the average recipient to understand.
- 4) Increased automation would bring significant improvement to many agencies.
- 5) An improved and updated AFDC manual would be helpful.
- 6) Quite a few agencies reported client error, particularly failure to report changes in earned income, to be a major cause of error. Problems in policy application and failure to act on known information are often cited as cause of agency error.
- 7) Most agencies feel they are short on staff.
- 8) Corrective action seems deficient in some agencies.
- 9) Nearly all agencies seem to have a viable and logical procedure for determining initial eligibility in terms of work flow.

OFA will use the results of this review in planning activities in 1978.

#### **Redetermination and Case Maintenance Processes**

OFA completed survey guides for a nationwide review of the AFDC eligibility redetermination and case maintenance processes. Staff will conduct this review during 1978. Initial eligibility determination deals with the application process while redetermination and case maintenance deal with maintaining a case. While in theory the concepts are closely allied, in reality the processes put different demands on an agency and are handled by different staffs.

#### **Urban Strategy**

To assist urban areas experiencing continued difficulty in reducing AFDC overpayments, underpayments, and ineligible error rates, OFA established an Urban Strategy Task Force in 1977. Its goal was to develop methods of providing technical assistance to selected urban areas. The strategy was designed to improve areas of administration, operations, and training (especially the process of determining and redetermining eligibility) that were causing AFDC errors.

The Urban Institute examined problems in eight urban areas and recommended five strategies for HEW:

- 1) Reduce backlog of overdue redeterminations on average (12–15 percent using overtime) (Baltimore prototype).
- 2) Simplify forms and materials.
- 3) Promote selective (error prone\*) action approach to case management (West Virginia model) through selective staff assignment, supervisory reviews, indepth verification (home visits, face-to-face redeterminations, documentary or third party verification), more frequent full-scale redeterminations, selective mailings of change forms, and fiscal incentives.
- 4) Simplify program rules. Eliminate rules on property liens and household members not in assistance unit, and provide uniform rules for assets.
- 5) Promote State adoption of optional administrative practices—measures to reduce turnover and increased training.

#### **Research and Demonstration Projects**

OFA staff continued to consult on active research and demonstration projects and on developing new projects concerned with AFDC program improvements. These projects include an overall assessment of AFDC program management, a study of the effectiveness of corrective action, fraud prevention procedures, urban strategy, development of intake and review processes, organizational development, and studies of the impact of agency and client characteristics on agency performance.

#### **Information Systems**

OFA processed 37 State requests to develop automated systems to provide more effective and efficient administration of the AFDC program. These submittals, costing about \$11 million, were for new systems developments and enhancements covering total assistance systems from eligibility determination to cash grants and improvements in existing systems such as

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\* The "error prone" approach reduces errors by limiting costly case actions to cases with a high probability of error

development of on-line inquiry capability and automated scheduling of redeterminations.

OFA published a proposed rulemaking on requirements for approval of funding for costs of automated systems and equipment in support of AFDC. The regulation contains requirements for claiming Federal matching funds for major HEW programs including financial assistance. The regulation consolidates and codifies procedures on Federal participation in funding acquisition and use of ADP equipment and service. It requires States to obtain prior HEW approval of a written plan of action stating needs, objectives, cost/benefit analysis, description of the activity to be undertaken and the methods to be used, a proposed schedule, and a cost estimate. The regulation also provides for review of State and local agency methods and practices to insure proper use of ADP equipment and services, and insures compliance with the competitive procurement requirements.

A contract was let on October 1, 1976, for developing and implementing an automated data base of SRS regulations. In March 1977, the system was available for initial training of users and for demonstrations. After the reorganization, an OFA project team redirected the pilot project to conform to the new organization and the contract period of performance was extended through September 1977.

This project facilitated the review, revision, and redevelopment of regulations through the automated system. The system permitted the user to review the total data base of regulations and to consider any and all related regulations when considering modification of any one regulation. The system also provides the capability to make continuous revisions to a regulation without a voluminous clerical burden, since automated changes could be effected without revision of the entire text of the regulation.

In November 1976, OFA staff supported the SRS Office of Special Initiatives in analyzing the full national AFDC quality control sample for January-June 1976. The effort included collecting sample data from each State in the form of raw input documents, punched cards or magnetic tape, arranging for keypunching when necessary, conducting preliminary edits, and arranging with West Virginia for use of its

computer system for processing. A major report containing a national analysis was filed in March 1977. The use of the West Virginia automated system enabled OFA to perform a uniform analysis of the quality control sample conducted by every State, and to identify the most significant causes of errors attributable both to clients and State agencies. The ability to identify specific causes of error permits development of corrective actions to remove and avoid similar errors in future case actions.

OFA reached agreements with Department of Agriculture, Food and Nutrition Service (USDA/FNS) to coordinate the review and official action on all requests for funding for automated systems development involving integrated systems which include food stamps and public assistance. This agreement is needed because of the numerous requests by States to develop integrated ADP systems that support both USDA/FNS and OFA programs. Without this agreement, processing these applications would be extremely difficult and would delay approval of Federal funding of these systems.

#### **Quality of Claims and Payment Process\***

Continued progress was made in reducing AFDC error rates. National case error rates dropped from 41.1 percent in 1973 to 23.2 percent in July-December 1976. AFDC payment error rate dropped from 16.0 to 8.5 percent during the same period.

#### **AFDC Case Error Rates (percent)**

	<i>Ineligible</i>	<i>Over-payment</i>	<i>Under-payment</i>	<i>Total</i>
April-September 1973	10.2	22.8	8.1	41.1
January-June 1976	5.5	13.9	5.2	24.6
July-December 1976	5.3	13.1	4.9	23.2

#### **AFDC Payment Error Rates (percent)**

	<i>Ineligible</i>	<i>Over-payment</i>	<i>Under-payment</i>	<i>Total</i>
April-September 1973	8.9	7.1	1.4	16.0
January-June 1976	4.8	4.3	0.9	9.1
July-December 1976	4.6	3.9	0.9	8.5

\* All error rates from April 1973 through June 1976 were computed and reported based only on State data. Beginning in the July-December 1976 sample period, a statistical regression formula was used which applied to case and dollar error rates obtained from both State and Federal data.

From January 1974 through December 1976 the quality control program to reduce welfare errors saved over \$1.3 billion in Federal and State funds. States implemented over 1,000 individual corrective actions to improve program performance. Chief among these were:

- Adoption of consolidated standards of assistance
- Program simplification
- Use of error-prone profiling systems (reducing errors by limiting costly case actions to those cases with a high probability of error)
- Increased staff training for eligibility workers and supervisors
- Use of computerized cross-matching systems with employment security, social security, banks, etc.
- Computer-based monthly reporting systems
- Improved State management systems including monitoring local office performance and improved automated systems and administrative controls.

#### **Public Assistance Recipients Participating in the Food Stamp Program in June 1977**

Almost half (48.7 percent) the 16.3 million people who participated in the Department of Agriculture (USDA) food stamp program in June 1977 were also public assistance recipients, receiving cash payments under AFDC or general assistance. The total value for food stamps was \$677.8 million, carrying a bonus of \$408.9 million. The average bonus per participant was \$24. In other words, 17 million participants spent \$268.9 million for an average payment of \$16, and received \$40 worth of coupons—a savings of about \$24.

In June 1977, 11 million persons were receiving cash payments under AFDC, and an additional 861,000 (for the 42 States reporting) received general assistance. Of these 11.9 million recipients of public assistance, almost 8 million or 67 percent, participated in the food stamp program. USDA classifies beneficiaries of SSI as non-public assistance (non-PA) participants; about 14 percent of the participants were receiving benefits under SSI. Total non-PA participants numbered 8.4 million in June, 51.2 percent of all participants.

Households in which all members receive public assistance are deemed eligible for food stamps and their need is determined by welfare agencies. Other households qualify by showing that their income or financial resources are below a certain level. A food stamp household is defined as a group of people who buy, prepare, or eat meals together and share common living costs such as rent and utilities. A single individual would be considered a household if he or she prepared and ate meals at home. Disabled people may use food stamps to purchase meals from non-profit meal delivery services such as "Meals on Wheels." Others who are elderly or under treatment or rehabilitation may buy meals from authorized establishments and non-profit organizations.

Areas suffering from natural disasters such as floods/snowfalls may be assisted by food stamps. As an example, in February 1977 massive snowfalls and severe cold waves prompted the emergency issuance of \$34.3 million in bonus coupons to 833,900 disaster victims in Maryland, New York, and Virginia. Severe freezing in Florida resulted in the issuance of \$1 million in food stamps to 24,400 needy persons.

The rate of participation by public assistance recipients in the food stamp program in June 1977 ranged from 28 percent in Alaska to 98 percent in West Virginia and 96 percent in Hawaii. Only nine States had less than 50 percent participating—Alaska, Maine, Mississippi, Missouri, Nevada, North Dakota, South Carolina, South Dakota, and Wyoming.

#### **Program Statistics**

Beginning April 1976, *Public Assistance Statistics* began a series of brief reports or analyses on topics relating to the administration of AFDC. Among the topics researched:

1. *AFDC Foster Care*—This brief report provides State comparisons on average expenditures and payments and points up variations in this program.
2. *Application and Case Disposition Activity—Fiscal Years 1972–1976*—This analysis provides historical and trend information on applications under AFDC. Some highlights are provided below:

- a. Between 1972 and 1976 only a slight increase of 2.2 percent occurred in total applications received (with declines in 1973, 1974, and 1976).
- b. The approval rate (number of approvals divided by the number disposed of) increased from 61 percent to 66 percent.
- c. The denial rate rose from 13 percent of dispositions in 1972 to 20.4 percent in 1976. (Face-to-face interviews, quality control measures affecting eligibility processes, and more stringent documentation of need and resources were given as reasons for this rise in denial rates.)
- d. In 1972 an average of about 4.56 approvals were granted for each denial; in 1976 the rate was 3.26 approvals for each denial.

TABLE 1.—Characteristics of State plans for AFDC, October 1, 1976

State	Children aged 18-21 in school	Unborn children	Families	
			With un-employed fathers	In need of emergency assistance
Total.....	43	32	29	26
Alabama.....	X	X		
Alaska.....				
Arizona.....	X		X	
Arkansas.....	X			
California.....	X	X	X	
Colorado.....	X	X	X	
Connecticut.....	X		X	X
Delaware.....		X	X	X
District of Columbia.....	X	X	X	X
Florida.....				
Georgia.....				
Guam.....	X	X	X	
Hawaii.....	X	X	X	
Idaho.....	X	X		
Illinois.....	X		X	
Indiana.....				
Iowa.....	X		X	
Kansas.....	X	X	X	X
Kentucky.....	X		X	X
Louisiana.....	X	X		
Maine.....	X	X		
Maryland.....	X	X	X	X
Massachusetts.....	X	X	X	X
Michigan.....	X		X	X
Minnesota.....		X	X	X
Mississippi.....				
Missouri.....			X	
Montana.....	X	X	X	X
Nebraska.....	X	X	X	X
Nevada.....	X	X		
New Hampshire.....	X			X
New Jersey.....	X			
New Mexico.....	X	X		
New York.....	X	X	X	X
North Carolina.....	X			
North Dakota.....	X	X		
Ohio.....	X	X	X	X
Oklahoma.....	X			X
Oregon.....	X	X	X	X
Pennsylvania.....	X	X	X	X
Puerto Rico.....				X
Rhode Island.....	X	X	X	
South Carolina.....	X	X		X
South Dakota.....	X	X		
Tennessee.....	X	X		
Texas.....	X			
Utah.....	X	X	X	X
Vermont.....	X	X	X	X
Virgin Islands.....	X			X
Virginia.....	X			X
Washington.....		X	X	X
West Virginia.....	X	X	X	X
Wisconsin.....		X	X	
Wyoming.....	X	X		X

Source: Office of Family Assistance, *Characteristics of State Plans for AFDC, October 1, 1976*.

TABLE 2.—State standard of assistance for basic needs and amount actually payable to family of four<sup>1</sup> with no other income

State <sup>2</sup>	Cost of basic needs <sup>3</sup>	Amount payable
Alabama.....	\$240.00	\$170.00
Alaska.....	400.00	400.00
Arizona.....	282.00	197.00
Arkansas.....	291.00	189.00
California.....	422.00	379.00
Colorado.....	276.00	276.00
Connecticut.....	349.00	349.00
Delaware.....	287.00	287.00
District of Columbia.....	349.00	314.00
Florida.....	230.00	182.00
Georgia.....	227.00	148.00
Guam.....	306.00	306.00
Hawaii.....	514.00	514.00
Idaho.....	395.00	344.00
Illinois.....	300.00	300.00
Indiana.....	363.00	250.00
Iowa.....	376.00	357.00
Kansas.....	306.00	306.00
Kentucky.....	235.00	235.00
Louisiana.....	203.00	158.00
Maine.....	349.00	297.00
Maryland.....	314.00	242.00
Massachusetts.....	347.00	347.00
Michigan.....	418.00	418.00
Minnesota.....	385.00	385.00
Mississippi.....	277.00	60.00
Missouri.....	365.00	170.00
Montana.....	252.00	252.00
Nebraska.....	330.00	294.00
Nevada.....	342.00	250.00
New Hampshire.....	221.00	221.00
New Jersey.....	356.00	356.00
New Mexico.....	239.00	206.00
New York.....	448.00	448.00
North Carolina.....	200.00	200.00
North Dakota.....	347.00	347.00
Ohio.....	431.00	254.00
Oklahoma.....	284.00	284.00
Oregon.....	396.00	360.00
Pennsylvania.....	373.00	373.00
Puerto Rico.....	126.00	50.00
Rhode Island.....	359.00	359.00
South Carolina.....	217.00	117.00
South Dakota.....	333.00	333.00
Tennessee.....	217.00	131.00
Texas.....	187.00	140.00
Utah.....	433.00	333.00
Vermont.....	499.00	364.00
Virgin Islands.....	166.00	166.00
Virginia.....	272.00	245.00
Washington.....	385.00	385.00
West Virginia.....	332.00	249.00
Wisconsin.....	466.00	424.00
Wyoming.....	270.00	270.00

<sup>1</sup> Represents one needy adult and three children.

<sup>2</sup> Only 25 States pay the AFDC family of four an amount equal to the State's own standard of need, the others make a payment based on a percentage reduction of the total standard of need or on the deficit between the standard and the income a family has to meet need.

<sup>3</sup> Cost calculated by State for all items of basic needs such as food, clothing, shelter and utilities, household supplies; usually this is the eligibility level.

Source: Office of Family Assistance, *Characteristics of State Plans for AFDC, October 1, 1976*.

TABLE 3 Federal percentages and Federal medical assistance percentages, effective July 1, 1975-June 30, 1977

State	Federal percentage	Federal medical assistance percentage
Alabama.....	65.00	73.79
Alaska.....	50.00	50.00
Arizona.....	56.09	60.48
Arkansas.....	65.00	74.60
California.....	50.00	50.00
Colorado.....	50.00	54.69
Connecticut.....	50.00	50.00
Delaware.....	50.00	50.00
District of Columbia.....	50.00	50.00
Florida.....	52.60	57.34
Georgia.....	62.34	66.10
Guam.....	50.00	50.00
Hawaii.....	50.00	50.00
Idaho.....	64.64	68.18
Illinois.....	50.00	50.00
Indiana.....	52.75	57.47
Iowa.....	52.37	57.13
Kansas.....	50.00	54.02
Kentucky.....	65.00	71.37
Louisiana.....	65.00	72.41
Maine.....	65.00	70.60
Maryland.....	50.00	50.00
Massachusetts.....	50.00	50.00
Michigan.....	50.00	50.00
Minnesota.....	52.05	56.84
Mississippi.....	65.00	78.28
Missouri.....	54.42	58.98
Montana.....	59.12	63.21
Nebraska.....	50.65	55.59
Nevada.....	50.00	50.00
New Hampshire.....	55.87	60.28
New Jersey.....	50.00	50.00
New Mexico.....	65.00	73.29
New York.....	50.00	50.00
North Carolina.....	64.48	68.03
North Dakota.....	52.87	57.59
Ohio.....	50.00	54.39
Oklahoma.....	63.80	67.42
Oregon.....	54.49	59.04
Pennsylvania.....	50.43	55.39
Puerto Rico.....	50.00	50.00
Rhode Island.....	51.73	56.55
South Carolina.....	65.00	73.58
South Dakota.....	63.59	67.23
Tennessee.....	65.00	70.43
Texas.....	59.55	63.59
Utah.....	65.00	70.04
Vermont.....	65.00	69.82
Virgin Islands.....	50.00	50.00
Virginia.....	53.72	58.34
Washington.....	50.00	53.72
West Virginia.....	65.00	71.90
Wisconsin.....	55.46	59.91
Wyoming.....	56.60	60.94

## SPECIAL ASSISTANCE PROGRAMS

### **Indochinese Refugee Assistance Program**

This program primarily offered complete reimbursement by the Federal Government to the States for cash assistance, medical assistance, and social services afforded the refugees by the States. Its purpose was to help refugees make a start towards financial and psychological security in their new country and, at the same time, to help the States meet this new demand on their resources until the refugees attained self-sufficiency. The program was established by the Indochina Migration and Refugee Assistance Act of 1975 and terminated by congressional mandate on September 30, 1977. Since the program began, \$203 million has been available to HEW with almost all disbursed by September 30.

Two rounds of per capita grants were given to State and local educational agencies for primary and secondary refugee students for English language and acculturation programs. The program also helped provide training in basic English for adults by a \$5 million allocation to State educational agencies in 1975 and a \$10 million allocation in September 1977. The second allotment was administered by the Office of Education and authorized by the Indochina Refugee Children's Assistance Act of 1976 (P.L. 94-405).

HEW awarded 62 grants to public and private agencies for English language training, vocational training, and manpower services. Most of the grantees were allowed to extend their services to December 31, 1977. As of October 31, 1977, 7,775 job placements were made through these programs.

On October 28 the President signed P.L. 95-145 which did two things. It allowed Indochinese refugees to adjust their status from parolee to permanent resident alien without the usual immigration quotas. Since permanent resident status is necessary to enter many fields of employment including the military and to

qualify for in-State tuition rates at many colleges, this legislation helps refugees attain self-sufficiency. It also gives them a psychological boost in their progress towards citizenship and full participation in American society.

The other part of P.L. 95-145 extended the Indochinese Refugee Assistance Program for 4 years (fiscal years 1978-81), phasing down gradually the Federal contribution to the States during the latter 3 years. An amount of \$25 million was also authorized for special projects which include the grants for English language training, manpower services, and mental health projects.

### **Cuban Refugee Program**

This program was established in February 1961 to provide services to needy Cuban refugees including reception and registration in Miami, classification of job skills, 100 percent reimbursement to States for welfare and medical assistance to needy refugees, educational services, and resettlement from Miami to homes, job opportunities, and reunion with relatives in other parts of the U.S.

Of the total program cost of about \$82 million in FY 1977, 82 percent was for reimbursement of State and local public assistance expenditures on behalf of Cuban refugees. An average of about 26,000 a month received cash assistance for basic maintenance; and some 30,000 others were eligible for medical care under the program, most of whom received SSI payments. About 15 percent of the 1977 costs went to the Dade County, Florida, public school system because of its large refugee children enrollment. Program administration and other activities (primarily educational projects) accounted for the remaining three percent.

### **U.S. Repatriate Program**

P.L. 86-571 and Section 1113 of the Social Security Act authorize financial assistance,

medical and psychiatric treatment, and other services to U.S. citizens and their dependents returned from foreign countries under the auspices of the Department of State. The Associate Commissioner for Family Assistance carries out this program through the U.S. Repatriate Program staff.

The program provides temporary assistance to U.S. citizens and their dependents if they (a) are identified by the State Department as having returned, or been brought, from a foreign country to the U.S. because of destitution, illness, war, threat of war, or international crisis; and (b) are without available resources. Such persons, on arrival in the U.S., may be provided assistance, including food, clothing, housing, transportation, medical care, and other services necessary for their health and welfare. Repatriates are eligible for assistance and services under Section 1113 of the Act for 90 days after arrival and for a longer time under P.L. 86-571.

**Federal Responsibilities**—OFA administers the program through its staff in Washington and assigned staff in the ten HEW regional offices. OFA develops program policies, supervises the program, and authorizes reimbursements to State welfare agencies and health facilities. Its staff disposes of each case referred by the State Department.

**State Responsibility**—State and local public welfare agencies render invaluable service to the repatriate. They meet the needs of repatriates in accord with OFA policies. They respond quickly in meeting emergency needs. The temporary nature of the program requires close monitoring and early development of other resources that may be available to the repatriate. Monthly accountability of expenditures is required as a basis for 100 percent Federal reimbursement.

**Caseload**—The State Department referred 676 persons during FY 1977, an increase of 62 persons over 1976. There were 600 referred because of destitution, physical illness, and international causes. Those returned who were mentally ill (76) increased somewhat over 1976. With 77 persons carried over from 1976, total caseload for 1977 was 753 persons.

Children (183) and persons ages 19 to 40 (321) represented 67 percent of the total. Small families that attempt to establish themselves in

a foreign country and large family groups are responsible for the high proportion of younger persons. Most repatriates returned from European countries; this accounts for the larger caseload handled by Region II because New York is the port of entry for these returnees. As far as resettlement is concerned, Region V (Chicago) and Region IX (San Francisco) received most of the repatriates.

Economic conditions in the foreign country play a major role in causing the U.S. citizen to return home. Germany and France employ strict rules regarding issuance of work permits. Most U.S. citizens and their families return from these countries because they are unable to earn a living.

On September 22, 1977, 54 American citizens and their families were airlifted from Cuba due to relaxation of diplomatic relations between the U.S. and Cuba.

Other citizens are returned from abroad for a variety of reasons. For example, a young man was medically evacuated from the Fiji Islands as a stretcher case which required special planning and coordination. Another situation involved the return of abandoned children. The average case might include plans for hospitalization of the mentally ill, reception for a citizen who has been released from prison, or transportation for an individual or family who has been robbed. The two most significant factors are the high degree of dependency resulting from financial insecurity and the impact of cultural differences.

**Expenditures**—The program's operating budget for FY 1977 was \$980,000, of which \$877,934.52 was spent for assistance and services as of September 30, 1977. Twenty-five percent of these funds was used to provide financial assistance to the destitute. Eligibility for this group is limited to 90 days unless the individuals or families are handicapped in becoming self-supporting because of age, disability, or lack of vocation. Only a few cases were extended beyond the initial period of eligibility.

The legislation requires repayment of assistance from those repatriates who have or who are expected to have income and financial resources for more than ordinary needs. Repayments during 1977 totaled \$14,209.72. There were 82 cases waived and 452 cases closed during the year.

## HEARINGS AND APPEALS

Hearing requests increased from 157,688 in 1976 to 193,657 in 1977, up 23 percent. SSA processed 186,822 hearings during 1977, an increase of 4 percent over 1976. Total cases pending decreased from 89,769 in June 1976 to 84,916 in September 1976, but then increased to 91,751 in September 1977. DI and SSI cases continue to dominate the hearing workload, representing 95 percent of the total workload. DI hearing receipts were 95,796 and SSI receipts (including concurrent DI/SSI) were 89,973 during 1977. Black lung (BL) hearing requests continued to drop in 1977, down 71 percent from 5,024 in 1976 to 1,455 in September 1977.

The time to process hearings decreased from 242 days in June 1976 to 205 days in June 1977, and to 196 days in September 1977. Monthly processing times began to decline in November 1976, and were substantially lower during 1977 than during 1976. Appeals Council processing time declined sharply—from 144 days at the beginning of FY 1977 to 67 days at year's end.

The increase in hearings processed and the ability to keep the pending fairly stable, in spite of high receipts, was due largely to the special measures taken by SSA for the past few years. In addition to hiring staff attorneys to provide legal help for ALJs, and sending detailees to hearing offices to provide assistance to the ALJs, SSA made several management innovations to increase efficiency in its hearing offices. During 1977, Appeals Council workloads and civil actions filed declined slightly.

### Staffing

As a result of the increase in hearing requests, SSA appointed 63 permanent ALJs from July 1976 through September 1977 of which 20 were already employed by SSA as temporary ALJs or Appeals Council members. This increased the number of permanent ALJs from 438 in June 1976 to 465 in September 1977. At the same time, the number of temporary ALJs decreased from 199 in June 1976 to 174 in September 1977. Thus, it should be noted that the total ALJ corps did not increase, but, in fact, decreased from 641 ALJs and temporary ALJs in June 1976 to 639 in September 1977. Since July 1976, 36 ALJs left SSA, largely due to retirement of 24.

In addition, one of the provisions in the "Social Security Amendments of 1977" provides for the conversion of the remaining temporary ALJs to permanent ALJs. This conversion took place on January 1, 1978.

### Enhance Workload Management

#### *Model Offices*

SSA continued to use model hearing offices to test and evaluate new ideas prior to wide-scale implementation. Model offices were a testing ground for changes in case flow and field operations. For example, in 1977, restructuring of support staff positions was tested in two model offices. As a result, hearing assistants in many offices became more involved with the development of hearing cases. In addition, some regions established hearing clerk positions responsible for monitoring hearings and some case development functions. The model offices also provided a testing ground for word-processing units within the hearing offices which are responsible for receptionist, case release, and decisional typing duties. Another procedure originally tested in the model offices was elimination of the master docket in favor of imme-

#### Hearing Requests

	FY 1976	July- Sept. 1976	FY 1977
Received	157,688	45,418	193,657
Cleared	179,088	50,271	186,822
Pending	89,769	84,916	91,751

diate case assignment, which several hearing offices later adopted. New areas for testing in the model office environment including use of a sophisticated data transmission system were being developed at year's end.

#### *Use of Details in Personnel Resource Management*

SSA detailed hearings and appeals analysts on several occasions to help write decisions in backlogged areas and to assist in processing court and Appeals Council remanded cases, aged cases, and cases affected by court litigation. Over 200 analysts were detailed to expedite the hearing process. The details resulted in immediate production increases and in consistently higher production by the ALJs who received the help.

SSA used other types of employee details to help cope with its ever-increasing workload. SSA professionals in the regions were detailed to the hearings and appeals central office in Arlington, Virginia, to analyze cases, write decisions, and help the Appeals Council reduce its workload. Experienced management staff from SSA headquarters and regional offices were detailed to other regional offices to train, establish management systems, and temporarily fill newly created management positions or unexpected vacancies in critical positions. Regional office staff were detailed to hearing offices for administration and training, and hearing office staff were detailed to other hearing offices to deal with temporary increases in workload. These details gave management more flexibility in meeting critical short-term needs.

#### *Administrative Officer Position*

SSA established the administrative officer (AO) position in the hearing offices in all ten regions. Of the 107 AOs authorized, 74 were on duty at year's end. The AO, under the direction of the administrative law judge in charge (ALJIC), is directly responsible for administrative management in the hearing office. Creation of this position enabled ALJICs to concentrate their managerial efforts on the coordination of ALJ activities. Hearing offices indicated that the AO position was of great value in organizing and managing available resources.

#### *Hearing Offices/Service Areas*

SSA continued to examine the cost effectiveness and public service of small hearing offices and began a nationwide study of hearing office service areas. These analyses were aimed at making changes to improve levels of public service, make better use of resources, and increase cost effectiveness.

#### **Quality Assurance (QA)**

SSA expanded its hearings and appeals program to include, in addition to an enhanced quality review (QR) system, a formal QA program in the regions, and a formal program for the Appeals Council.

Prior to September 1976, the QR system was limited to review of a manually selected 10-percent random sample of appealed ALJ affirmation/dismissal decisions and disability (Title II only) reversals. A quality review form was also completed on all ALJ reversals which could not be made by SSA's program bureaus ("bureau protests"). Beginning September 1976, the 10-percent manually selected sample was replaced by a 5-percent computer-selected national random sample stratified by region. Following implementation of the latter, sample quality assurance case reviews were gradually expanded to all types of ALJ decisions (appealed and unappealed) in all program areas except black lung. Also, all "bureau protest" cases continued subject to reviews.

The regional quality assurance program provided the regional chief administrative law judges (RCALJs) with a mechanism for monitoring the quality of certain categories of ALJ decisions within their regions. This information permits them to become more familiar with the strengths and weaknesses of each ALJ in the region. It also enables the RCALJs to develop initiatives to improve the overall quality of ALJ work. The initiatives were expected to include supplementary policy and procedural guidelines, reminder memorandums, regional refresher training seminars and conferences, and personal RCALJ counseling sessions.

Initially, the regional quality assurance program included systematic reviews of all decisions of new ALJs with less than 12 months' experience writing decisions involving Title II claims and all affirmations; and a

20-percent sample of the reversals of ALJs in the lowest production quartile in earlier quarters, certain reversals and remand orders issued by the Appeals Council, and certain cases involving allegations of unfair hearings. All reviews except those involving the decisions of new ALJs are conducted after the decision has been issued and, if favorable, after all payment actions are complete.

In December 1976, SSA inaugurated a quality assurance system in the Appeals Council to use the geographical case assignment system (implemented in April 1976) to develop data on decisions reviewed from hearing offices within each member's assigned geographical area. Decisions from each hearing office are reviewed by the Appeals Council members quarterly to detect adjudicative trends and problem areas in hearing offices, regions, and the Nation, and determine what feedback, if any, is desirable. The system was designed to promote a constructive dialogue between Appeals Council members and the ALJs during hearing office visits and ALJ conferences on ways to improve the appellate process generally.

The dialogue between Appeals Council members and ALJs is mainly intended to cover the broad range of policy and procedural matters. Field visits for ALJ training or counseling will not concern pending case actions.

#### **Appeals Council Workloads**

During FY 1977, Appeals Council receipts dropped slightly, 2 percent less than FY 1976 (from 48,759 to 47,719); also, 12,981 cases were received from July through September 1976. During the same period, cases processed increased 8 percent over 1976 (from 48,380 to 52,273); also, 16,659 cases were cleared from July through September 1976. This enabled the pending to drop sharply from 13,026 in June 1976 to 9,348 in September 1976, and to 4,794 in September 1977.

SSI receipts (including concurrent RSDI/SSI) continued to increase significantly from 12,391 cases in 1976 to 20,020 in 1977, a 62 percent increase. Black lung (BL) cases decreased sharply from 15,315 in 1976 to 997 in 1977, a 93 percent decrease. BL cases represented only 4 percent of the Council's workload in September 1977. SSI cases (including concurrent RSDI/SSI) represented 44 percent

of the Council's workload in September 1977. DI workloads continued to make up the bulk of the workload—49 percent in September 1977. Cases processed in 1977 increased in all programs except BL over 1976. The most significant increase, 78 percent, came in the SSI program (including concurrent RSDI/SSI).

The increase in production, decrease in the pending workload, and sharp reduction in the number of old cases were the result of two major factors. First, the Council made procedural changes in processing its cases. Second, it continued its remand procedure which was implemented in 1976. Under this procedure, the Council remands cases to the ALJs when it determines that additional evidence should be obtained. The increase in productivity was accomplished despite the fact that a significant number of professional employees were detailed to the hearing offices to assist the ALJs.

#### **Contract Medical Advisors**

In March 1977, SSA integrated its hearings and appeals Medical Advisory Staff with the Appeals Council. This reorganization was intended to enhance the participation and use of the medical officers in the appeals process. SSA had fewer contract medical advisors in the regions (1,559 in June 1976 and 1,532 in September 1977). However, there was an increase in "B" readers qualified to read and interpret X-rays (from 8 to 10). ALJ use of the medical advisors increased almost 18 percent since July 1976. While there was a sharp decrease in use for HI (down 58 percent) and BL (down 71 percent) cases, there were significant increases in use in the other programs—notably, "concurrent SSI" cases which increased 85 percent, and "SSI only" which increased 82 percent, while RSDI increased only 19 percent.

#### **Court Activities**

During 1977, civil actions filed dropped slightly, 7 percent less than 1976 (from 9,814 to 9,114). Filings under the black lung program dropped significantly during 1977 and filings under the disability program represented over 50 percent of the workload receipts. Civil actions filed under the SSI program averaged more than 175 cases per month during 1977. Civil actions pending in U.S. courts increased from 14,215 in 1976 to 18,998 in 1977.

The Supreme Court resolved an issue which had been dealt with differently by the various courts of appeals by upholding the HEW Secretary in the case of *Sanders v. Califano*. The Court, in a unanimous decision, held that the Administrative Procedure Act does not confer an independent grant of jurisdiction for judicial review of HEW refusals to reopen prior determinations. The Court also emphasized that there is no right to judicial review of such actions under any of the provisions of the Social Security Act. Several lower courts issued decisions relying on the *Sanders* decision. There were judicial decisions relying on *Sanders* to uphold dismissals and other agency actions on grounds other than *res judicata*.

In addition, the courts resolved the jurisdictional shift of responsibility in black lung cases along essentially identical lines; namely, that the miner must meet all requirements for entitlement on or before June 30, 1973, in order for HEW to have jurisdiction over a claim, but that evidence of the miner's disability submitted after that date is entitled to consideration in determining eligibility.

During 1977, adverse judgments were entered in four class action cases involving delays in processing. These cases are *George White et al.* (District of Connecticut, decided October 19, 1976), *Carroll Barnett et al.* (District of Vermont, decided February 22, 1977), *Roland Wright et al.* (Northern District of Illinois, decided June 6, 1977), and *Leonard Caswell et al.* (District of Maine, decided July 18, 1977). The judgments in each of these cases set time limits within which class members' cases must be processed at the hearing level. The *Wright* case also covers the Appeals Council level. Appeal was recommended in all of these cases, but a decision had been issued only in *White*. On July 18, 1977, the U.S. Court of Appeals for the Second Circuit affirmed the decision of the lower court. SSA recommended that the Supreme Court be petitioned for a writ of certiorari. In another case, *Isaac Deloney et al.*, the District Court for the Northern District of Illinois, on August 16, 1977, issued an opinion that, based on the evidence of record, a ruling against the HEW Secretary would be in order. In view of the lack of current information on processing times, however, the court reserved final judgment and ordered an evi-

dentary hearing at which the HEW Secretary would have the burden of showing either improvement, or justification for the lack thereof. Like the *Wright* case, this case also involves the Appeals Council.

None of these decided class action cases involved certification of a nationwide class, and, thus, their impact has been limited to a particular State or region. Any proliferation, however, of this type of order was expected to impact seriously on SSA's ability to manage its national workload.

### Attorney Fees

During FY 1977, SSA processed 30 percent more petitions for attorney fees in RSDHI and SSI claims than in FY 1976 (from 19,831 to 25,741). There was a 62 percent decrease in black lung fee petitions (from 2,957 to 1,113). Black lung comprised only 4 percent of the workload and was expected to continue as an insignificant workload item. Fee petitions from all programs increased 18 percent over 1976 (from 22,788 to 26,854). The average fee approved was \$877.70 for RSDHI and SSI and \$1,910.63 for black lung cases (only cases which involved hearings or Appeals Council review). The black lung cases primarily represent claims with several levels of review and long and significant involvement by the representative.

### Study of the SSA Hearing System

In 1976, SSA entered into a contract with the Center for Administrative Justice for a 15-month legal study of the hearing system to determine whether due process benefit hearings can be provided less formally, more expeditiously, and at lower cost than under the present hearing system. The Center concluded that the present Administrative Procedure Act/ALJ system should be retained. It was their view that the present system does provide due process and has gained public acceptance. A number of changes in the present system were suggested for implementation or further study. However, the Center cautioned that the "interrelationships among the many functions which comprised this system are so subtle and complex" that any recommendation should be carefully studied and evaluated as to its effect on the entire system.

## LEGISLATION AND PROGRAM POLICY PLANNING

### **The Social Security Amendments of 1977**

SSA was heavily involved in FY 1977 in legislative activity that culminated in the Social Security Amendments of 1977 (P.L. 95-216), signed by the President on December 20, 1977. The major accomplishments of the amendments were the stabilization of social security benefit levels ("decoupling") and the restoration of the financial soundness of the program in the near term and into the 21st century.

### **Decoupling**

Decoupling reduces the sensitivity of the social security benefit structure to the relation between wage and price increases that under the old laws could have resulted in the over- or underadjustment of benefits of future retirees for inflation. Under any reasonable set of economic assumptions, social security benefits for future retirees would have been overadjusted for inflation with the result that, in many cases, future benefits would have been higher than the wages a person earned prior to retirement. This projected overadjustment of benefits would have occurred under the old law because of the interaction of automatic cost-of-living benefit increases and rising wages on potential future benefits for current workers.

Under the new law, effective January 1979, benefit protection for future beneficiaries will generally keep pace with wage increases during working years and with increases in the cost of living after workers become eligible for benefits or die. Replacement rates—benefits as a percentage of preretirement earnings—will be stabilized at a level about 5 percent lower than that estimated to prevail in January 1979. After a person begins receiving benefits, he or she will receive cost-of-living increases, as under the old law. The decoupling provisions are designed to assure that the system will operate roughly as it would have under the economic

assumptions made when the automatic adjustment provisions were enacted in 1972.

### **Financing**

The financing provisions in the 1977 amendments raise the taxable earnings base—the maximum amount of a worker's annual earnings that is taxable and creditable toward benefits under the program—increase social security tax rates, including restoration of the self-employed rate to its original level of one and a half times the employee rate, and increase the allocation of income to the disability insurance part of the cash benefits program. Reallocation of part of previously scheduled increases in hospital insurance tax rates to the cash benefits program is also provided for in light of the additional income to the hospital insurance program resulting from the higher taxable earnings bases under the amendments.

The provisions substantially reduce the projected 1978 and 1979 annual deficits in the cash benefits program and provide for excesses of income over expenditures starting in 1980. During the remainder of this century, the trust funds will grow relative to annual expenditures, and the program is soundly financed until well into the next century. The long-range financing deficit, averaged over a 75-year valuation period, is reduced from more than 8 percent of taxable payroll to less than 1½ percent.

### **Coverage Changes**

Included in P.L. 95-216 are provisions which

- require a study, headed by HEW, of the question of mandatory coverage for Federal, State, local, and nonprofit organization employees.
- authorize bilateral (totalization) agreements with other countries for limited coordination of their social security systems

with our own. An agreement could not become effective until 90 session days had elapsed after it was submitted to Congress and neither House had passed a resolution of disapproval.

- exclude from coverage earnings or losses from a partnership which are received by a limited partner.
- require employers to pay social security taxes on any tips deemed to be wages under the minimum wage law.
- permit clergymen to make an irrevocable revocation of exemption from social security coverage.
- change the provisions of social security law which are based on quarterly wage data so that annual data can be used to carry them out.
- increase the exempt amount under the retirement test, for beneficiaries 65 and over, to \$4,000 in 1978; \$4,500 in 1979; \$5,000 in 1980; \$5,500 in 1981; and \$6,000 in 1982 (automatic increases thereafter); and eliminate the test entirely for beneficiaries at age 70.
- eliminate the monthly measure under the retirement test except in the initial year in which a beneficiary is both entitled to benefits and has a month in which he neither earns over the monthly measure nor renders substantial services in self-employment.

#### **AFDC Changes**

Included were four AFDC provisions which

- provide additional fiscal relief to States and political subdivisions in 1978.
- establish a program of fiscal incentives as part of the AFDC quality control program.
- give States the statutory authority to obtain earnings information from records maintained by SSA and by State employment security agencies whenever such information is needed in connection with the AFDC program.

- broaden the provisions of present law relating to State demonstration projects, particularly with regard to projects of employment for AFDC recipients.

#### **Other Enacted Legislation**

Legislation enacted in 1977, including the transition quarter, which amended the programs administered by SSA included the following public laws:

P.L. 94-365 (H.R. 14484), made permanent the authority of the Secretary to repay a State directly for interim assistance paid by the State to an SSI applicant. The law also extended until June 30, 1977, the eligibility of certain SSI recipients for food stamps. It also amended the Social Security Act to provide for a 1 year continuation of Federal Financial Participation at the 75% rate for child support services provided by State agencies to individuals not eligible for AFDC assistance.

P.L. 94-368 (H.R. 13501), provided that the prevailing charge for a physician service in any period after FY 1976 shall not be lower than the charge for that service in FY 1975. The bill continued the updating of reasonable charge screens under part B on July 1 of each year rather than on October 1 which would have been the case in order to conform to the new fiscal year. It also delayed until October 1, 1977, the implementation of the provision of the 1972 amendments dealing with the reimbursement of teaching physicians.

P.L. 94-375 (S. 3295), effective October 1, 1976, excluded from income and resources under the SSI program the value of assistance provided under several Federal housing programs.

P.L. 94-379 (H.R. 14514), permitted the State of California to retain food stamp cash-out status.

P.L. 94-409 (S. 5), "Government in the Sunshine Act," amended the Freedom of Information Act, thus further limiting the authority of the agency to withhold information collected in the administration of the Social Security Act.

P.L. 94-432 (H.R. 14298), "Veterans Disability Compensation and Survivor Benefits Act of 1976," requires all Federal agencies to provide the Veterans Administration with information necessary to administer veterans programs.

P.L. 94-437 (S. 522), permits Medicare reimbursement to Indian Health Service facilities.

P.L. 94-455 (H.R. 10612), "Tax Reform Act of 1976," permits the States to use the social security number in the administration of any motor vehicle registration, driver's license, tax, or general public assistance law; and makes it a misdemeanor to willfully, knowingly, and deceitfully use the social security number for any purpose. Other provisions excluded from "Employment", and covered as net earnings from self-employment, remuneration received by certain fishermen; amended the provision of the IRC affecting the social security coverage of self-employed U.S. citizens outside the U.S.; excluded until the 18th month for SSI purposes any support and maintenance received by an individual forced to leave his own home because of a natural disaster occurring on or before June 1, 1976, and before December 31, 1976; and extended the earned income credit provision through the end of 1977.

P.L. 94-460 (H.R. 9019), amends the definition and requirements of a Health Maintenance Organization (HMO) under Medicare to better conform with those of title XIII of the Public Health Service Act, but made no change in the services an HMO must provide Medicare beneficiaries.

P.L. 94-505 (H.R. 11347), established within HEW an Office of Inspector General with responsibility to direct, conduct, supervise, and establish policies dealing with audits and investigations of HEW programs and operations.

P.L. 94-540 (S. 1659), provided that funds awarded and distributed to the Ottawa Indians will not be counted as income or resources for SSI benefit purposes.

P.L. 94-563 (H.R. 15571), affects the coverage of individuals employed by nonprofit organizations where the organization failed to file a certificate electing coverage but paid the social security contributions and reported the earnings.

P.L. 94-566 (H.R. 10210), "Unemployment Compensation Amendments of 1976," provides for the referral of disabled and blind SSI recipients under age 16 for appropriate services. The law also required unemployed fathers who apply for AFDC payments to collect any unemployment compensation before receiving benefits; and required State employment offices, on a reimbursable cost basis, to furnish information to welfare agencies for the purpose of administering the AFDC and Child Support Program. Additionally, the law preserves Medicaid eligibility for individuals who become ineligible for SSI payments because of cost-of-living increases in social security benefits in June 1977 and later; authorizes SSI payments to persons in publicly operated community residences serving no more than 16 persons and excludes from income assistance based on need (including vendor payments) made to or on behalf of SSI recipients by State or local governments; and disregards for purposes of determining the amount which the Federal Government must contribute toward the cost of supplementary benefits provided by each of the three "hold-harmless" States, any increases in Federal SSI benefits becoming effective after June 30, 1977, and before July 1, 1979.

P.L. 94-569 (H.R. 7228), excludes the value of a home in which an individual resides from the determination of the individual's resources; and authorizes the payment of SSI benefits for up to three months to presumptively blind applicants.

P.L. 94-581 (H.R. 2735), "Veterans Omnibus Health Care Act of 1976," clarified the legal basis for reimbursement made by

SSA for services furnished to Medicare eligible patients in certain Veterans Administration hospitals under sharing agreements with non-VA hospitals.

P.L. 94-585 (H.R. 13500), required the States, as a condition for receiving Federal Medicaid funds, to maintain whatever supplements they have been paying when the Federal SSI level was increased after June 1977; and made permanent hold-harmless protection for the three hold-harmless States.

P.L. 95-30 (H.R. 3477), terminated special \$50 payments authorized under the 1975 Tax Reform Act; extended the earned income tax credit through 1978; changed the effective date of the provision in the 1976 Tax Reform Act regarding exclusion from coverage of self-employment income earned abroad by U.S. citizens to taxable years beginning after December 31, 1976; and made technical amendments to the Child Support Enforcement Program. The law also amended title IV-D of the Social Security Act to clarify garnishment provisions relating to child support and alimony; provided for the bonding of State and local employees who receive, handle or disburse cash, and required that the accounting and collection procedures be handled by different individuals; changed the rate at which incentive payments are made; added certain annual report requirements; and provided a special provision for the State of Georgia.

P.L. 95-59 (H.R. 1404), extended for two years the Federal funding for child support enforcement services for families not eligible for welfare and extended present law provision for food stamp eligibility for certain SSI recipients. Further, the law amended the Social Security Act to provide for a fifteen month continuation of Federal Financial Participation at the 75% rate for child support services provided by State agencies to individuals who are not eligible for AFDC assistance.

## **PROPOSED LEGISLATION**

### **Supplemental Security Income and Public Assistance Legislation**

H.R. 6124, containing certain provisions that would simplify and improve the administration of the SSI program, was introduced on April 6, 1977. Also introduced were substantive proposals pertaining to the treatment of aliens under the SSI program and providing for the extension of SSI to Puerto Rico, Guam, and the Virgin Islands. H.R. 6124 and some of the other SSI proposals, along with provisions that would make major changes in the AFDC and social services programs, were incorporated in another bill, H.R. 7200, the "Public Assistance Amendments of 1977," introduced on May 16, 1977.

Considerable staff time was used to analyze the various provisions of both H.R. 6124 and H.R. 7200, and to develop the Administration position on the proposed legislation. H.R. 7200 was passed by the House on June 14, 1977. Staff worked with the Senate Finance Committee during its deliberations on the bill, and mark-up sessions on H.R. 7200 began at year's end.

### **Work Expense Disregard**

On May 10, 1977, the Administration submitted a legislative proposal to Congress which would adjust the amount of income to be disregarded in determining need under AFDC. The proposal is intended to help eliminate inequities, simplify administration, and reduce fraud and error.

### **Foster Care and Adoption Subsidies**

On July 25, 1977, the Administration submitted to the Congress legislation which would strengthen and improve the program of Federal support for foster home care of dependent children, and establish a program of Federal support to encourage adoption of children with special needs.

### **Extension of the Indochinese Refugee Program**

On September 7, 1977, the Administration submitted draft legislation to extend the Indochinese Refugee Program and to fund services for new refugees. A modified version of the proposal was added as an amendment to H.R.

7769, a bill creating a record of admission for permanent residence for certain refugees from Vietnam, Laos, and Cambodia, and enacted into law in October 1977.

### **Emergency Energy Assistance**

On September 20, 1977, the Administration submitted legislation which would provide a program of emergency assistance in the event of natural disasters or other calamitous occurrences of national or regional significance. The proposal would provide an authority under which, in the event of another severe winter, the emergency energy needs of low-income people could be met. States would be able to obtain 75 percent Federal reimbursement for expenditures for needy families.

### **STUDIES ON SOCIAL SECURITY AND THE ECONOMY**

During the year SSA continued to measure transfer components of income (social security and public assistance) and Federal taxes (personal income taxes and social security payroll taxes). Research staff examined the current income distribution effects of the existing tax-transfer system and proposed changes in the system. The objective was to produce the tools needed for welfare reform legislation and other changes in the tax-transfer system. Several projects measured and analyzed the transfer components of the present social security system and projected changes over time. One report in March 1977 discussed the internal rates of return to workers already retired for the period 1967-70. Further testing of a macroeconomic model of the social insurance sector was undertaken. This model could be incorporated into an econometric model of the U.S. economy designed for studying the effect of social security and the rest of the economy on each other.

SSA staff continued to work on projects to improve the data base for policy simulation models of the tax-transfer system. These projects involve matching information from the Current Population Survey, social security data on earnings and benefits, and Internal Revenue Service information on income. Adjustments are made to the data from the CPS for such

things as coverage errors and underreporting of income. A report was published in March 1977 that provides details on the logical and physical structure of the data tapes.

SSA helped design a questionnaire for the New Income Survey, conducted jointly with the Bureau of the Census and HEW. The survey will be pilot tested in 1978. The goal of these projects was to improve SSA's ability to do policy research on income distribution and redistribution effects of social security programs.

SSA continued to develop a model of consumption behavior to make possible the study of the impact of the social security system—and of proposed changes in the system—on consumption and, therefore, on saving and capital formation.

### **SSA POLICY COUNCIL ACTIVITIES**

The SSA Policy Council, consisting of the Commissioner, the Deputy Commissioner, the Associate Commissioners, the Director of the Bureau of Hearings and Appeals, and the Deputy Director of the Office of Child Support Enforcement, considers major policy issues. This ex officio body provides high-level advice on complex issues requiring decisions by the Commissioner, and tracks the timeliness and adequacy of the SSA response to items needing further analysis and/or implementing actions.

In April 1976 the SSA Policy Council decided to set up a task force to study and recommend needed changes in the disability insurance program. The task force made a final report in March 1977 and asked its staff to develop legislative proposals dealing with the DI program. The proposals developed by the staff were aimed at lowering the incidence of disability, improving work incentives, and improving the incentives for successful vocational rehabilitations.

From March to June 1977, the Council considered questions on quality assurance (QA). In March a consulting firm which had studied Title II QA activities in SSA made recommendations. The firm's major recommendation was that the accuracy of the entire benefit roll be measured, as opposed to measuring the accuracy of SSA's processing actions for all programs. Other recommendations included the

need for identifying QA information needs at all levels of SSA management.

The Council also considered AFDC QA issues in May and June 1977. The issues included the effect of sanctions on improved quality, technical assistance for the States, effectiveness of a concerted redetermination effort, and the relationship of AFDC sanctions to Federal fiscal liability for improper SSI State supplement payments. As a result of Council decisions, SSA is working with the Health Care Financing Administration to develop a common strategy toward quality assurance in both AFDC and Medicaid.

## **POLICY AND REGULATIONS**

### **Privacy and Disclosure**

SSA's efforts to revise its regulations on privacy and disclosure were complicated by passage of the "Government in the Sunshine Act," which amended the Freedom of Information Act (FOIA) in such a way as to override the privacy provisions of the Social Security Act with regard to personal information about workers and beneficiaries. Under the amended FOIA, SSA may decline to disclose such information, generally, only if disclosure would constitute a "clearly unwarranted invasion of personal privacy" (Exemption (6)). However, court experience and legal interpretations have indicated that this "clearly unwarranted invasion of privacy" test has only limited power to prevent third-party access to personal information in SSA's files, even for purposes that bear no relationship to SSA's program mission. This substantially reduces SSA's ability to prevent incursions of personal privacy which the subject of the information may not approve.

The Tax Reform Act of 1976 (TRA) has had an opposite impact on SSA's disclosure practices. The TRA generally prohibits disclosure of Federal tax returns or the information thereon. This includes practically all SSA's earnings information. Because of the TRA, SSA has had to discontinue some releases of earnings information formerly made to other income-maintenance agencies. This has caused duplication of effort by the agencies and increased red tape for those who are beneficiaries of more than one program.

SSA completed development of its proposed new privacy/disclosure regulation, taking into account the Privacy Act, FOIA (as amended by the "Sunshine Act"), TRA, and public input from hearings and announcements. At year's end, this draft was awaiting HEW approval. The public will have another opportunity to comment before the regulation becomes effective.

### **Processing Oral Inquiries on SSI Eligibility**

SSA developed new guidelines for processing oral inquiries from persons who telephone or visit SSA field offices about eligibility for SSI payments. Where the inquirer does not file a claim because he appears ineligible, the field office will give the caller a notice showing that the determination of eligibility is an informal one. To receive a formal determination: with the right to appeal, an application must be filed. If an application is filed within 60 days and eligibility is established, the date of the original inquiry will be treated as the filing date of the SSI claim.

### **Program Simplification in SSI**

In 1977 SSA continued to try to produce policy as sound, fair, and uncomplicated as possible. At year's end, SSA was implementing, by publication of regulations or program policy directives, statutory changes which had significant impact on SSI program policy. A number of income inclusions were legislated, making the SSI program simpler to understand. The amendments excluded from income for SSI purposes: monthly payments made under a State program established prior to July 1, 1973, which are not based on need but solely on attainment of age 65 and duration of residence in such State; many types of Federal housing assistance; various types of assistance furnished to an individual made homeless by a disaster which occurred from June through December 1976; and all cash or in kind assistance based on need and furnished by a State or local government.

Consideration of resources was affected by legislation which excluded a person's home regardless of value. Legislation also provided for the separate computation of benefits amounts when one member of a couple enters a Title

XIX (Medicaid) facility, and for making presumptive disability payments to blind as well as otherwise disabled individuals.

SSA's efforts to simplify the number and kinds of State supplement payment variations which it administers under agreements with some States were halted by the enactment of legislation intended to discourage States which supplement the Federal benefit from reducing their supplementary payment levels when cost-of-living increases in the Federal benefit occur. This is because the legislation requires States (as a condition of continued Medicaid participation) to agree to maintain their supplementary payments at December 1976 levels or higher.

#### **Excluding Disaster Assistance from Income and Resources**

As a result of the Teton Dam collapse, the Congress enacted laws in 1976 providing for compensation to the victims of the disaster and for the exclusion from income under SSI of disaster assistance payments. These provisions are effective only in the case of disasters taking place June 1 through December 30, 1976. Also, the legislation did not address the treatment of unspent disaster compensation with respect to the resource requirements of the SSI program, nor did it address the effect of interest payments on unspent compensation.

Senator Church has introduced a bill to alleviate the above difficulties to some extent. However, his bill is not retroactive to December 31, 1976, for disasters occurring after that date and would, therefore, not help victims of disasters occurring between that date and date of enactment of his bill. SSA began to expand the existing regulations by initiating program policy directives which would exclude from in-

come and resources compensation for damaged, lost or stolen excludable resources with retroactive effect.

#### **Program Policy Directives (PPDs)**

SSA published its first PPDs, which enunciate program policy for the social security cash benefit programs. PPDs present, in concise form, the substance of program policy related to a specific issue or area, and include the historical background, rationale, and authority for the policy position set forth. A PPD serves to generate any necessary program regulation changes, and provides the policy basis for the preparation of program operating instructions. In addition, SSA devised a system for formal issuance of PPDs to make their content available to SSA personnel having program responsibilities and functions that require indepth understanding of the specifics of policy decisions, direction, and rationale. Such knowledge is particularly useful in explaining the more complex program issues and requirements to the public.

#### **Community Residences**

Effective October 1, 1976 the Social Security Act was amended to allow persons living in publicly operated community residences which serve no more than 16 residents to be eligible for SSI benefits, and thereby, encourage the development of home-like alternatives to institutions for persons who cannot live alone, but who do not require intensive care or supervision. The policy flowing from the amendment, which liberalized the statutory and regulatory provisions governing eligibility for persons living in public institutions, is being effectively implemented by SSA's field offices.

## MANAGEMENT ACTIVITIES

### Financial Management

#### Trust Funds

The social security contributions paid on covered earnings by employees, employers, and the self-employed go into the general funds of the Treasury and then, under the law, are automatically appropriated to three social security trust funds—one each for old-age (retirement) and survivors insurance (OASI), disability insurance (DI) and hospital insurance (HI). The monthly premiums paid by people who have enrolled in the supplementary medical insurance (SMI) program and the contributions made by the Federal Government from general revenues under this program go into a fourth trust fund—for supplementary medical insurance (SMI). The law provides that money received by the trust funds can be used only to pay social security benefits and the administrative expenses of the program. The SSI, AFDC, and black lung programs are financed through general revenues and not by the social security trust funds.

In FY 1977 total outgo from the OASI and DI trust funds, combined, exceeded total income to the two trust funds by \$3.9 billion. The Social Security Amendments of 1977, enacted on December 20, 1977, will increase income and decrease outgo, reducing previously projected trust fund deficits for 1978 and 1979, and providing for an excess of income over outgo

beginning in 1980. The financing provisions of the amendments will adequately finance the social security program both in the short run and into the next century.

The following table shows the income and outgo for the four trust funds for fiscal years 1973 through 1977, in billions of dollars:

<i>Fiscal Year</i>	<i>Income</i>				
	<i>RSI</i>	<i>DI</i>	<i>HI</i>	<i>SMI</i>	<i>TOTAL</i>
1973	\$43.6	\$ 5.9	\$ 8.4	\$2.9	\$ 60.8
1974	\$50.9	\$ 6.8	\$11.6	\$3.8	\$ 73.1
1975	\$58.8	\$ 7.9	\$12.6	\$4.3	\$ 83.6
1976	\$62.3	\$ 8.4	\$13.5	\$5.0	\$ 89.2
1977	\$71.8	\$ 9.4	\$15.4	\$7.4	\$103.9

<i>Fiscal Year</i>	<i>Outgo</i>				
	<i>RSI</i>	<i>DI</i>	<i>HI</i>	<i>SMI</i>	<i>TOTAL</i>
1973	\$43.6	\$ 5.5	\$ 6.8	\$2.6	\$ 58.6
1974	\$49.5	\$ 6.4	\$ 8.1	\$3.3	\$ 67.2
1975	\$56.7	\$ 8.0	\$10.6	\$4.2	\$ 79.4
1976	\$64.3	\$ 9.6	\$12.6	\$5.2	\$ 91.7
1977	\$73.5	\$11.6	\$15.2	\$6.3	\$106.6

#### Administrative Costs

Administrative costs for all of Social Security's programs rose 10 percent in 1977 to \$2,535 million from \$2,307 million in 1976 (excluding construction).

### Administrative Costs of Major Functions <sup>1</sup>

FY	Total		Retirement and Survivors Insurance		Disability Insurance		Health Insurance		Supplemental Security Income	
	Amount	% of Year Total	Amount	% of Year Total	Amount	% of Year Total	Amount	% of Year Total	Amount	% of Year Total
1971	\$1,040	100	\$422	40.6	\$228	21.9	\$391	37.5		
1972	1,145	100	457	39.9	273	23.9	415	36.2		
1973	1,313	100	513	39.1	293	22.3	461	35.1	\$ 46	3.5
1974	1,744	100	584	33.5	338	19.4	528	30.3	294	16.8
1975	2,096	100	636	30.4	396	18.9	604	28.8	459	21.9
1976	2,306	100	705	30.6	466	20.2	650	28.2	485	21.0
1977	2,535	100	760	30.0	538	21.2	710	28.0	527	20.8

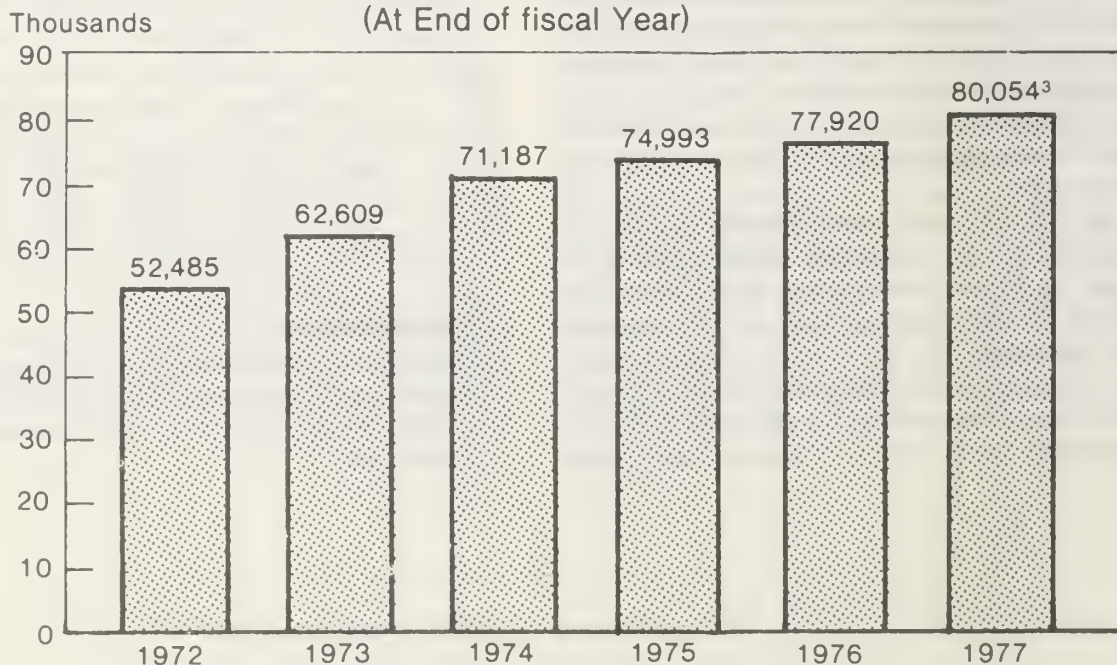
#### Share of Total Costs by Major Administrative Bodies <sup>2</sup>

The distribution of costs between State agencies HI contractors, and SSA proper varied only slightly from 1976.

	1976		1977	
	\$ in millions	Per- cent	\$ in millions	Per- cent
State Agencies	251	10.9	281	11.1
Medicare				
Contractors	455	19.7	509	20.1
SSA Only	1,601	69.4	1,745	68.8
Total	2,307	100.0	2,535	100.0

### PERMANENT STAFF ON DUTY

(At End of fiscal Year)



<sup>1</sup> Obligations by activities in millions of dollars.

<sup>2</sup> Excludes black lung and AFDC

<sup>3</sup> Not adjusted for HEW reorganization.

## INDICES OF WORK OUTPUT, MAN-YEARS, AND PRODUCTIVITY

<i>Fiscal Year</i>	<i>Work Output</i>	<i>Man-Years</i>	<i>Productivity</i>
1967 (base year)	100	100	100
1968	113	110	103
1969	118	110	108
1970	125	108	115
1971	132	112	118
1972	136	114	120
1973	151	120	126
1974	186	152	123
1975	216	169	128
1976	239	176	136
1977	261	179	146

### Staffing, Overtime, and Productivity

SSA's permanent staff remained fairly stable in FY 1977. Full-time, permanent employment rose from 79,922 at the beginning of the year to 80,054 at year's end—an increase of only 132 positions (not adjusted for the HEW reorganization). Overtime was reduced from 5,930 man-years in FY 1976 to 3,923 man-years in FY 1977—a decrease of 2,007 man-years. Overtime in FY 1977 accounted for about 4.3 percent of total SSA man-years vs 6.7 percent in FY 1976.

During 1977, productivity in SSA increased 7.3 percent, primarily because of better trained staff and improvements in systems and claims processes. Another factor contributing to the overall productivity improvement was the fact that the number of employees involved in staff-type functions decreased while workloads increased.

### SSA Work Measurement Upgrade Project

SSA proceeded with a major upgrade of its work measurement systems to enhance their contribution to management, budget, and program cost allocation functions. SSA established agency-wide criteria for work measurement systems, evaluated existing systems using these criteria, and developed detailed plans and spec-

ifications for new or revised systems. During 1978, these work measurement systems will be tested and validated to insure that they provide accurate, reliable, and pertinent information essential to proper management.

### Cost as a Percent of Income

While SSA administrative costs have increased as the social security trust fund programs have grown in scope, the ratio of administrative expenses to income has decreased slightly over recent years. The following table shows the cost of administering the individual programs as a percent of income in 1967 and 1977.

	Cost as a Percent of Income			
	<i>OASI</i>	<i>DI</i>	<i>HI</i>	<i>SMI</i>
1967	1.6	4.5	2.4	7.6
1977	1.4	3.4	2.1	7.1

### Costs of Medicare Contractor Operations

Administrative costs for Part A intermediaries rose from \$164.8 million in 1976 to \$179.4 million in 1977—an increase of \$14.6 million or 8.9 percent.

Administrative costs of Part B carriers increased from \$290.2 million in 1976 to \$329.5 million in 1977—an increase of \$39.3 million or 13.5 percent.

## CONSTRUCTION

### **New Computer Center At Headquarters**

A new computer center for SSA headquarters was under construction during 1977 in a wooded area near the headquarters buildings in Baltimore. This building will be entirely occupied by computer operations and related activities. The project being built via the systems construction method, was approved by Congress in 1975. Work began on site in the fall of 1976 with completion scheduled for the fall of 1979.

This specially designed computer building, to cost \$69 million, will be a five-story structure containing 320,000 square feet of computer space. The facility will have a unique degree of operational self-sufficiency with an uninterruptible power supply back-up by an emergency generator system in an adjacent utility building to assure continuous operation in case of a protracted loss of power, plus a back-up sewage, water and fire protection system. Logistics facilities include a loading dock, a supply stor-

age area, and a mailroom, plus accommodations for employee services and a cafeteria.

### **The Metro-West Building**

A new clerical operations building for SSA headquarters was under construction in downtown Baltimore. This building will be occupied by about 5,000 employees. The building will provide space for consolidating the operations located in several old leased buildings. This project was approved by Congress in 1975. Work began on the site in the fall of 1976. Building construction is underway with completion scheduled for the fall of 1979. The Metro-West building, to cost \$93 million will consist of two five-story buildings connected by a two-level bridge. A tower containing an additional eight floors will be located atop the west end of the north block building. The building will contain 647,000 square feet of office area, complete employee services, limited underground parking, a mailroom, loading dock, and a supply and storage area.

## SYSTEMS

### **Annual Wage Reporting**

The annual reporting of wages for social security purposes by employers will replace quarterly reporting beginning with the 1978 tax year. SSA will receive and process the first of an estimated 178 million reports early in 1979. The successful operation of an annual reporting system to serve the data needs of both SSA and the Internal Revenue Service presents major challenges, not the least of which will be the replacement of a stable SSA workforce to process wage reports with uneven demand for manpower expected to range from a low of 900 to a high of 6,600 at peak processing time. SSA made labor market surveys to meet this need. Processing will be somewhat decentralized to the data operations centers (DOCs), requiring acquisition of about 149,000 square feet more space and additional optical scanners, the exact number of which will depend upon the system selected for procurement.

During 1977, SSA and IRS agreed upon the design and content of new forms W-2 and W-3 required of employers and began a concentrated joint effort to maximize magnetic tape/disk reporting (goal is 34 million items for 1978). The two agencies developed a media campaign to inform the employers and the public about annual reporting requirements and made extensive progress in redesigning their respective report processing systems. IRS is expected to provide data entry support to SSA once annual reporting is underway.

### **Salinas Data Operations Center (DOC)**

In 1976 SSA opened its third data operations center in Salinas, California. The other two facilities are in Wilkes Barre, Pennsylvania (established in 1945) and Albuquerque, New Mexico (in 1973). The new DOC was established to maintain operational capacity in the event of catastrophe, such as the June 1972

flood which put the Wilkes-Barre facility out of operation for 2 weeks, and to realign that facility's workload by distributing keying capacity into three diverse locations.

On July 10, 1977, the Salinas DOC occupied its new permanent facility with 65,000 square feet of usable space. Previously, the DOC had occupied temporary space at three different locations. The new building was designed and built to SSA specifications and is the first facility that was functionally designed to be a data operations center. Due to the need for additional space created by the annual reporting of earnings legislation, construction of a 40,600 square foot addition to the building was set to begin early in 1978. Similar additions are being made to the Albuquerque site (62,000 square feet) and a temporary lease arrangement is in process to add 55,000 square feet to the Wilkes-Barre site.

### **SSADARS**

SSA used its new SSA Data Acquisition and Response System (SSADARS) network to achieve advancements in systems security in 1977. The agency improved the security of beneficiary data which are available and modifiable via SSADARS terminals. This was made possible by a system which monitors each message received from a terminal and verifies the level of security clearance available to that terminal. The agency also introduced a feature that permits a terminal to be locked to prevent unauthorized use. SSA continued to explore ways of making the system more secure.

The year 1977 saw a much accelerated use of SSADARS card readers. About 26,000 SSI queries, master beneficiary record queries, and other transactions were effected each day via the card reader, thus eliminating a separate keying function.

SSA successfully completed a two-phase pilot program in its Atlanta and Dallas Regions for

ordering district office supplies over the SSADARS system. As a result, this supply system improvement was implemented nationwide in July 1977. This new wire transmission method of requisitioning supplies replaced the former punchcard system. Savings in form preparation, card and mail costs are expected to approach \$250,000 annually.

To provide faster and more accurate service to beneficiaries, SSADARS users gained the ability to access other headquarters data bases. In a further effort to improve service to beneficiaries, SSA studied the feasibility of upgrading the communications links between headquarters and the concentrator sites. As a result, efforts began to increase the capacity of the lines by up to one-third and to reduce backlogs.

In late March 1977, a pilot program to help identify and control user problems with the telecommunications network began with the cooperation of the San Francisco Regional Commissioner's Office. Because of encouraging results, the pilot continued and was expanded to a nationwide program beginning June 1977.

#### **Claims Automated Processing System (CAPS)**

The claims automated processing system (CAPS) was designed to provide faster and more accurate payment of initial retirement, survivor, and disability claims by eliminating manual handling whenever possible. The system will also maintain computerized control from the time the claim is received until payment is made.

Phase I was implemented nationally in February 1976. This phase introduced the expanded input format and also provided a means for the SSA field office to trigger payment while entering corrections to certain record elements. It let field offices effect payment by direct input on a much wider variety of initial claims than under previous procedures. It also enabled field offices to generate basic award notices to beneficiaries. In May 1976, phase II went nationwide. This phase automatically generated denial notices on initial claims.

Phase III of CAPS went nationwide in May 1977. It provides the field with capability to correct all basic data fields, and then automatically recycles cases through computational

programs using the corrected data. Initial claims processing times decreased in part because of: (1) reduced keying time, (2) reduced document turnaround time between the field and central office and within the central office, and (3) an increased percentage of electronically developed statement claims which require little manual processing.

At year's end, the implementation of phase IV of CAPS was in process. Phase IV extensions of CAPS included:

- overnight turnaround of benefit estimate requests—July 1977.
- linkage of CAPS and immediate payment of critical case (IMPACC—see page 13) processes to avoid RSDI overpayments—August 1977.
- inclusion of capability to handle requests for direct deposit for claims—September 1977.
- automation of additional categories of lump sum death payment claims—September 1977.

#### **Pension Reform**

Public Law 93-406, the Employee Retirement Income Security Act of 1974 (ERISA), requires HEW to furnish information regarding deferred vested pension rights to a plan participant upon request or to the participant (and his dependents or survivors) automatically when applying for social security benefits. SSA will receive data on covered individuals via IRS. Starting January 1978, IRS will furnish SSA with a tape copy of its employer plan master file (which will contain about 800,000 plans) for generation of notices automatically and upon request. IRS estimated there may be 7 million employees reported the first year.

ERISA also requires pension funds to advise participants of their vested and accrued benefits. To comply with this provision, funds need individual earnings histories. Some have requested SSA to furnish this information. *Multi-employer* plans needing information were not required to inform participants of their vested rights until the Department of Labor issued implementing regulations. This is expected in 1978. SSA denied those plans itemized earnings information for ERISA purposes until Labor acted. However, SSA has furnished

data since June 1976 to *single employer* plans, which can be furnished information electronically and inexpensively.

Requests received from multi-employer pension funds for retirement purposes in the past averaged about 115,000 per year. Under ER-ISA, SSA workload could total 4 million requests and require 5,400 man-years and \$88.4 million over 7 years. SSA was negotiating with the Department of Labor to minimize the impact of this workload on SSA operations.

### **SSI Redeterminations**

The 1977 redetermination system began in December 1976 for redetermining the eligibility of each of the nearly 3.8 million SSI recipients. Several modifications in the process reduced the workload somewhat for SSA field office employees who do the redeterminations. One change was to release the redetermination notices to the offices in four large installments rather than in monthly shipments. The forms are arranged alphabetically in ZIP code order so the offices can more readily identify recipients living in the same institution or the same locale. This change should help SSA field staff to combine interviews and reduce the number of visits to locations where several recipients live.

Another major change in the process was the way the offices will enter data into the SSI master file. In addition to receiving the redetermination form which contains selected data from the SSI master file, they get a prepunched card for each recipient, listing the name and social security number. Unless there are changes to report, the offices can use the card to send the redetermination information to headquarters via the SSADARS card reader. Besides eliminating a step in the data input process, this improvement reduces the possibility of errors in data transmission. The offices can also use the redetermination card to query the SSI master file at headquarters and receive an overnight response. They also receive two control lists. One control list shows all eligible persons and the other shows only those eligible persons whose records contain either an unresolved overpayment or an excess decision.

Still another modification in the redetermination process allows field office employees to

record in the SSI master file if the recipient is physically unable to visit a social security office and if the recipient cannot speak or read English.

### **Systems Security**

The Privacy Act requires each Federal agency to establish administrative, technical, and physical safeguards to insure the security and confidentiality of personal data by providing methods to protect against accidental or intentional disclosure or destruction of that data. The safeguards must apply to both manual and automated systems of records. The objective of the systems security program is to reduce the risk of improper disclosure and loss due to destruction to the lowest possible level, and also to implement a full recovery program if a loss occurs.

As an outgrowth of the Privacy Act, SSA established an SSA Systems Security Staff with authority to devise and enforce SSA-wide systems security measures for all components and installations. The position of SSA Systems Security Officer was created to direct all aspects of both automated and manual systems security throughout SSA. In addition, regional security officers and headquarters component systems security officers were established to implement and monitor security plans.

To implement the Act, SSA took the following actions:

- *Physical Security*—Locating communications terminals in separate rooms which can be locked when the terminals are not in use. Restricting access to equipment only to those authorized.
- *Guidelines*—Giving priority to early development and distribution of procedures on SSA-wide systems security.
- *Reports*—Monitoring remote terminals by the offices responsible for them. Distributing the monitoring reports to SSA components.
- *Training*—Conducting an SSA-wide awareness program with training courses, videotape films, pamphlets and booklets designed to create a better understanding of security.

- *Audits*—Conducting about 150 audits of field installations. Maintaining an ongoing audit program for central office components.
- *Access by Unauthorized Persons*—Employing communications safeguards to prevent intrusions by unauthorized means.

### **Direct Transmission Of Student Reports By Field Offices**

To reduce overpayments to student beneficiaries and cut the processing time required to update the eligibility of students on the master records, SSA expanded its EDP facility for transmitting student reports to field offices in November 1977. The procedure uses ARS and SSADARS to terminate benefits when the student reports that school attendance is no longer full time, or other nonentitlement events occur, and benefits to other family members are automatically adjusted. Processing time is reduced since SSA's program service centers do not have to handle most cases.

### **MBR Online Query Capability**

In August 1976, SSA field and reviewing offices became able to request master beneficiary record (MBR) data online from headquarters and receive the information within seconds. Immediate access to this data greatly assisted field offices since they could answer beneficiary inquiries much faster. This also reduced requests for information made to SSA's program service centers and to its disability headquarters. Online MBR requests by all components averaged about 62,000 a day in September 1977. The added online capability did not totally replace requests for MBR data furnished offline (i.e., the following day/days) since MBR data available online pertain only to claimant records where there has been an update action (i.e., change of address, death) during the last 4½ months.

### **State Data Exchange System (SDX)**

The SDX is SSA's vehicle for exchanging SSI data with the States. SSA made several improvements in this system in 1977. The agency developed procedures to provide State agencies, via SDX, with data on continuation of payment and Medicaid eligibility resulting from the ac-

tivation within the automated system of Goldberg/Kelly due process requirements. Phase I procedures, implemented in July 1977, provided States with data on potential Goldberg/Kelly situations stemming from the inability to provide timely notification of a payment reduction.

SSA completed initial installation of programmable magnetic tape terminals (PMTT) in five State agencies to evaluate tape-to-tape transmission of SDX data to State agencies. The agency also modified the composition of the SDX Treasury file so that only SDX records of recipients receiving recurring payments are included in this file. As part of the same modification, projected payment and Medicaid eligibility data is provided to the States about four weeks prior to the effective month. In June 1977, SSA provided all States except Arizona with a special SDX leads file to help them implement section 503 of P.L. 94-566. This section provides for the continuation of Medicaid eligibility for certain SSI ineligible.

### **Source Data Entry System**

SSA procured a large scale data entry system in January 1977 to replace its outdated key-punch equipment. The data entry system supports four central processing units, 96 key stations, four printers, and two card readers. This data entry equipment replaced 129 key-punch machines.

One major advantage of the new system is the savings in manpower. About 33 fewer key-punch personnel are needed under the new data entry operation than under the old key-punching operation. This savings in salary cost for SSA will amount to \$272,000 per year. Another advantage is the savings in equipment rental and purchase over the 5-year expected life of the data entry system. The cost of the system over 5 years will be \$510,874. The cost of renting keypunch equipment over the same 5-year period would be \$629,640 plus an added \$127,560 for keypunch cards, for a total of \$757,200. The savings in equipment cost over the 5-year period was estimated at \$246,326.

Among other benefits, the data entry equipment also: decreased keying time by 20 percent; enabled batch processing, sorting, etc., on the data entry equipment rather than SSA's large mainframe computers; reduced error

rates; and reduced the time and cost of converting source documents into electronic data for computers.

#### **SS-5 File Conversion**

During 1977, SSA completed the conversion of 12.3 million paper copy SS-5 (Application for a Social Security Number) documents to magnetic tape, for a total of 66 million documents

converted with SSA manpower. Also, SSA contracted with IRS for their service centers to assist in conversion keying. IRS aided in the conversion of about 70 million documents during 1977. By October 1, 1977, a total of 194.7 million documents had been converted—over 73 percent of the total SS-5 file of 265 million. Completion is scheduled for December 1978 with clean-up in January 1979.

## QUALITY ASSURANCE (QA) ACTIVITIES

In June 1977 the Commissioner of Social Security asked the Office of Quality Assurance to: (1) develop recommendations for broad quality review policies applicable to all SSA programs; (2) establish technical/operational policies for carrying out quality review of SSA programs; (3) conduct quality review of SSI and RSDI programs to determine inaccuracy rates and the source of inaccuracy; (4) provide quality review data on all SSA programs to SSA management for program monitoring, developing corrective actions, and reporting to the Congress and the public; (5) undertake special studies to help develop corrective action plans to improve the quality of SSA programs at national, regional, or local level; (6) provide suggestions to operating components on possible corrective actions based on interpretation of quality review data, operational appraisal data, and special studies, and (7) conduct technical reviews of SSA quality appraisal systems and data.

The QA staff was expanding its field organization to perform the quality reviews of the RSI and DI program. The staff was developing training plans for the new positions and preparing for recruitment at year's end.

### Special SSI QA Studies

SSA conducted special studies of identified problems as the QA process collected SSI data. The goal of each special study was to isolate and identify the causes of a particular problem so that it can be corrected. Major special studies during the year included:

*Wages Study*—Conducted in two QA regional offices to gain greater insight into wage problems. The study found that fluctuating earnings encompassed the largest category of wage deficiencies, particularly beneficiary induced errors. The major corrective recom-

mended was the need for a quarterly reporting system for known working SSI beneficiaries.

*Title II Study*—Measured the effect of the July 1976 increase in RSDI benefits on SSI payment errors. Findings indicated that the overall system's interface operation is effective. The system processed the necessary adjustments in all payment adjustment lag cases. Problems occur when incomplete or inaccurate data are fed into the system. A training program on systems capabilities and limitations was recommended for operating personnel.

*Savings Account Study*—Identified and isolated characteristics of beneficiaries with savings accounts above the SSI resource limitation. In over one-third of the cases, the resource limit was exceeded by less than \$500. The study led to a proposal to increase the resource limitation by \$500, and to recommend legislative changes to exclude reasonable amounts of burial protection insurance from countable resources. The study also resulted in an SSI application revision to include a question about joint bank accounts.

Among other areas, SSA staff were studying applicant reporting based on a pilot Nonreporting Study in Boston, Honolulu, and Raleigh to learn why recipients do not report changes in their circumstances. In addition to the above proposals, SSA also recommended that the policies on support and maintenance income be modified to ignore support and maintenance received by a beneficiary during a brief visit. This provision would only apply when the beneficiary maintained a private residence during the visit.

### Central Office Sub-Sample

In April 1976 SSA began a central office sub-sample review of completed QA sample cases to measure the quality of the overall SSI QA

review process for the ten QA regional offices on a continuous basis. The data produced were used during 1977 to:

1. Measure the reliability of QA SSI claims review data used to determine Federal fiscal liability, SSI payment error rates and upon which corrective actions are based;
2. Identify QA SSI sample case review policies and procedures that require clarification and/or revision;
3. Identify SSI claims manual policies and procedures that require clarification and/or revision or that are not being applied uniformly nationwide by SSA;
4. Identify QA and SSI policy and procedural areas where further training of QA field staff is needed;
5. Identify QA policies and procedures not being applied uniformly nationwide by all QA staffs.

## ENUMERATION

### **Enumeration of AFDC And Medicaid Beneficiaries**

SSA has been engaged for over 2 years in a massive project to give social security numbers (SSNs) to all recipients of AFDC and Medicaid. The project involves two phases: electronic verification of numbers already in the State case records by a tape-to-tape exchange, and processing of individual applications for persons who have never had an SSN or whose number is unknown. State caseworkers secure SSN applications and review and code the necessary evidence of the applicant's age, identity, and U.S. citizenship or alien status. They then send the completed applications to SSA in Baltimore. SSA returns assigned and verified numbers to the States monthly on electronic tapes. By the end of 1977 SSA had processed over 6.4 million numbers through the tape exchange and validated 72.9 percent, assigned 4.3 million new SSNs, and verified 1.5 million duplicates. The reimbursable phase of the project was completed in December 1977. About 25 States decided to continue the enumeration

process without Federal reimbursement because of its effectiveness.

### **Enumeration Of Refugees From Southeast Asia**

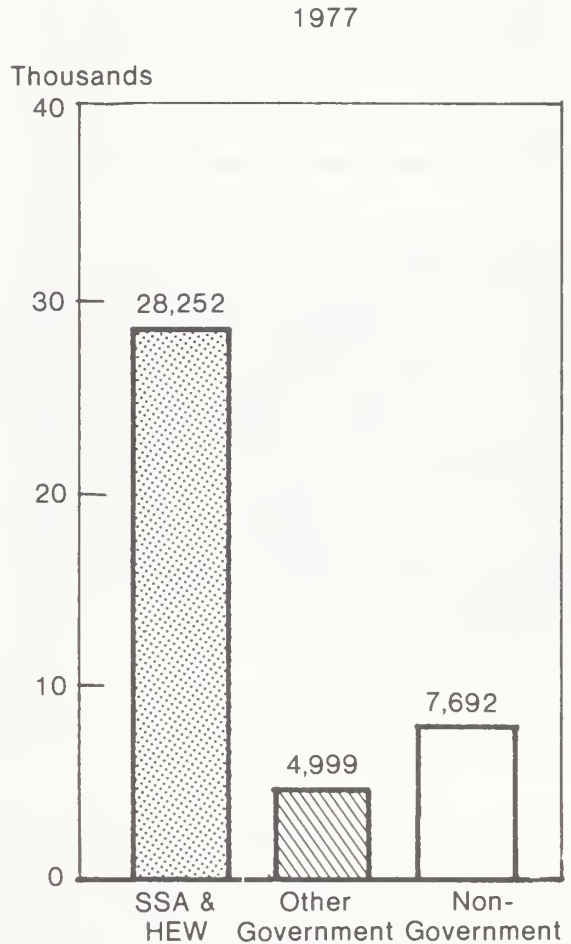
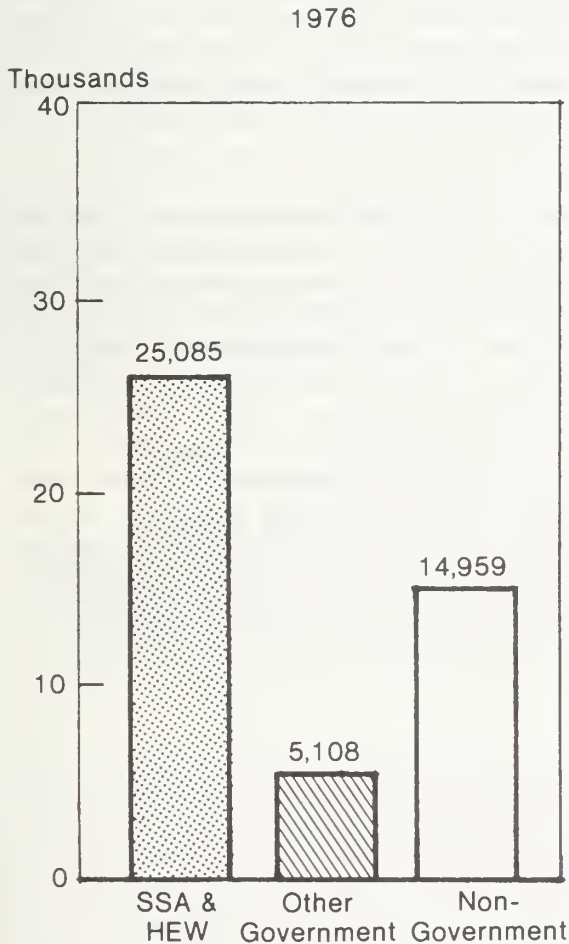
The Attorney General announced a new phase of the Southeast Asian Refugee Program in August 1977. It involves 15,000 refugees including about 7,500 boat cases who escaped their homelands by sea and are scattered throughout Thailand, Malaysia, Korea, and Taiwan. An important part of this program is the assignment of SSNs which the refugees need for employment, establishment of bank accounts, payment of taxes, and many other purposes as they became part of the American society. Because the current group of refugees is not being processed through one central location, onsite assignments of SSNs, as was done in the U.S. camps in 1975 and in Bangkok in 1976, was not feasible. Special procedures to enumerate these newest refugees through local SSA offices after they arrive in the U.S. have been established. Since the beginning of 1977 SSA has issued SSNs to more than 150,000 refugees from Southeast Asia.

## TRAINING

SSA employees (some more than once) took part in 40,943 formal training sessions of 4 hours or more at a cost of \$28 million during 1977. This was a decline of over 4,000 sessions from 1976. A little more than 80 percent of the sessions involved some type of Government

training, the balance in non-Government training. The number of training instances in non-Government sources decreased by almost half from the previous year, while internal (SSA and HEW) training increased from 25,085 sessions in 1976 to 28,252 in 1977.

FORMAL TRAINING OF SSA EMPLOYEES  
By source of Training



### **Video Tape Project**

SSA completed a 1-year pilot project in Tennessee to measure the effectiveness of video tape in training SSA field staff. The offices involved in the project received a total of 28 videotaped training packages. Evaluation of the lessons showed that they were well accepted by trainees and effective in delivering high quality training to a wide audience. A cost-benefit analysis also showed that video tape training was cost effective. Nationwide implementation was expected in 1978.

### **Field Managers' Workshop**

SSA instituted a new field managers' workshop to provide basic training for employees entering field office management. The workshop provides these employees with practical problems and solutions that recreate typical field management responsibilities. Throughout the workshop, the new management employee is exposed to a variety of training techniques to make the workshop realistic and participatory. Subjects covered include leadership, communications, controlled agency resources, peripheral resources, and management tools.

### **Technical Training**

SSA updated its Claims Representative Trainee (CRT) Basic Course twice in 1977 to take into account the retirement test change in January and the July benefit increase. The agency also updated the Service Representative Basic Course and developed tests to be included with the course. A major restructuring of the Data Review Technician Course also began. Work started on a major revision of the CRT Basic Course to make it conform more closely to the position duties.

### **Person-to-Person Communications Training**

SSA began a comprehensive program in 1977 to upgrade the quality of its correspondence by improving letterwriting skills. A new training course, "Person-to-Person Communications," was made available to all SSA employees with letterwriting responsibilities. The course includes a series of films, workbook exercises, and lectures on the 4-S formula for effective written communications. By the end of 1977, about 1,000 employees had taken the course.

### **Income Maintenance Guide For Trainers**

SSA's Office of Family Assistance (OFA) developed a "Training Guide for Training Instructors of Income Maintenance Workers and Income Maintenance Supervisors" with help from State income maintenance staffs. The guide provides a basic and practical training resource for trainers. It enables them to develop effective training programs. To introduce the guide, five workshops were held in different areas of the country. These workshops involved 160 participants from State and local agencies and from OFA regional offices.

### **Management Training**

During 1977, SSA helped meet the need for management positions in family assistance by arranging training under contract with the Management Institute of the University of Alabama. Seventy-four management staff members from 11 States participated in the 4-week training program. Also, 70 SSA family assistance staff completed the training. The concept of a consortium of universities to sponsor management training centers nationally for all States was revised. SSA decided to set up two regional training centers—at the University of Alabama and the University of Denver.

## EQUAL EMPLOYMENT OPPORTUNITIES

SSA continued to make considerable progress in providing equal employment opportunities (EEO) for women and minorities despite certain constraints. While the overall percentage of SSA positions held by women and minorities remained relatively constant, the proportion of professional and technical level positions held by these groups has increased considerably in recent years. In 1970, women, who were over two-thirds of the total general schedule SSA workforce, held only 13 percent of the jobs in grades 12-15 and only one job in grades 16-18. By September 1977, women occupied 21 percent of the grade 12-15 jobs and seven grade 16-18 positions. Two of the latter were regional commissioners, and one was a bureau director. In 1970, minorities made up slightly more than one-fourth of the workforce, but they held 7 percent of the grade 12-15 jobs and one position in grades 16-18. In September 1977, minorities held 12 percent of the grade 12-15 jobs and five of the grade 16-18 positions, including a regional commissioner and an office director.

Percentage of Female Employment at  
Different Grade Levels

	6/62	6/70	6/74	6/76	9/77
GS 1-4	80%	89%	86%	86%	86%
GS 5-8	52%	82%	77%	79%	78%
GS 9-11	18%	41%	48%	53%	56%
GS 12-15	10%	13%	18%	21%	22%
GS 16-18	0%	2%	11%	13%	12%
Total	58%	67%	68%	68%	68%

SSA's major constraint upon its EEO program was external recruitment through the Professional and Administrative Career Examination (PACE). While many women and minorities moved into technical and professional positions at SSA through internal channels, SSA was still dependent on the recruitment of external candidates. Minority recruitment from PACE was

only about 3 percent as compared to 19 percent prior to the use of PACE.

Percentage of Minority Employment\* at  
Different Grade Levels

	6/62	6/70	6/74	6/76	9/77
GS 1-4	19%	43%	42%	41%	41%
GS 5-8	11%	28%	28%	28%	27%
GS 9-11	4%	11%	19%	22%	22%
GS 12-15	1%	7%	10%	12%	12%
GS 16-18	0%	2%	4%	9%	9%
Total	13%	27%	29%	29%	28%

\* Blacks, Spanish Americans, Asian Americans, American Indians, Eskimos, and Aleuts are classified as minorities.

### Discrimination Complaints

As a result of the significant increase in SSA EEO discrimination complaints being appealed by complainants or their representatives, SSA made intensive efforts to train management representatives for hearings. This effort resulted in an EEO management representative training program designed to instruct management representatives in adequately representing SSA at Civil Service Commission hearings in discrimination complaints. A management representative handbook was distributed to all management representatives.

SSA allocated the much needed permanent EEO Officer positions in the offices of the SSA regional commissioners. These positions were staffed and the new EEO officers received intensive training. These new officers reduced the complaints workload through their ability to have complaints informally resolved.

### Federal Women's Program

SSA, through the Federal Women's Program, took initiatives to help women in the lower grades with their career development. A few years ago, it was determined that women in those grades were not applying for promotions

in proportion to their numbers. Many women aspired to jobs in such fields as personnel, training, and labor relations and were avoiding claims, SSA's primary workload. Thus, the Federal Women's Program has emphasized encouraging women to define their goals and plan careers based on a realistic assessment of their abilities and the jobs actually available. In addition to individual counseling, numerous lunchtime workshops and training sessions were held throughout SSA on promotion plans, career development planning, completing a job application, and preparing for a job interview.

SSA's Federal Women's Program held a national conference in November 1976 which brought together for the first time managers and employees (primarily women in the lower grades) from throughout the agency to discuss the problems and concerns of working women. The managers were trained on their responsibilities to their women employees, and the employees attended training workshops on career development and other subjects.

#### **Spanish-Speaking Program**

SSA created and staffed the position of Spanish recruiter in an effort to enhance the recruitment of Hispanics and alleviate the chronic problem of under-representation. The Spanish Speaking Program planned the first "Hispanic Opportunities Fair" to disseminate information about all aspects of job opportunities in the Federal Government.

#### **Insurance Compliance**

During 1977, SSA EEO contract compliance jurisdiction was broadened by the Labor Department's Office of Contract Compliance Programs to cover reinsurers of the Federal Employees Group Life Insurance (FEGLI) program. To insure compliance by more than 350 additional commercial insurance companies, SSA developed a seven-point program which was approved by the Department of Labor. Assumption of this new workload will require that SSA's Insurance Compliance Staff introduce new and more sophisticated processes for dealing with the newly assigned contractors, as well as those already under its jurisdiction. Among the new techniques will be new monitoring approaches, greater emphasis on negotiating nationwide Affirmative Action Program formats, and increased negotiation of EEO goals for all contractor facilities.

To focus on problems of under-utilization of minorities and women in contractor field facilities, SSA developed a span of control review procedure. Under it, SSA conducts individual reviews with officials who exercise control over many offices, such as region. This identified not only local office deficiencies, but also area-wide regional and even national under-utilizations. As a result, agreements were negotiated with many multi-facility companies, establishing minority and female employment goals.

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